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3 UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

4 -----x
5 JOHN L. EDMONDS, et al.,
6 Plaintiffs,

7 Case No.
8 - against - 08-CV-5648 (HB)

9 ROBERT W. SEAVEY, et al.,
10 Defendants.
11 -----x

12 April 21, 2009
13 10:20 a.m.
14
15

16 DEPOSITION of ORLEY GEORGE CAMERON,
17 taken by the Parties, pursuant to Subpoena,
18 held at the offices of Herrick, Feinstein,
19 LLP, 2 Park Avenue, New York, New York
20 10016, before Donna A. Metz, a Registered
21 Professional Reporter and Notary Public in
22 and for the State of New York.
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<p>2</p> <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>APPEARANCES:</p> <p>M. DOUGLAS HAYWOODE, ESQ. Attorney for Plaintiffs 71 Maple Street Kings Chancellery Brooklyn, New York 11225-5001</p> <p>HERRICK, FEINSTEIN LLP Attorneys for Defendants Robert W. Seavey, Phyllis M. Seavey, Avery B. Seavey, Nealie B. Seavey, Ronald Dawley, Dalton Management Company, LLC and The Seavey Organization 2 Park Avenue New York, New York 10016 By: M. DARREN TRAUB, ESQ., of Counsel (File No. 6955-004)</p> <p>WILSON ELSER MOSKOWITZ EDELMAN & DICKER LLP Attorneys for Defendant Marks Paneth & Shron 3 Gannett Drive White Plains, New York 10604-3407</p> <p>By: WILLIAM J. KELLY, ESQ., of Counsel (File No. 01439.00148)</p> <p>ALSO PRESENT:</p> <p>JOHN L. EDMONS PHYLLIS M. SEAVEY RONALD DAWLEY</p>	<p>4</p> <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>ORLEY GEORGE CAMERON, having been duly sworn by the Notary Public (Donna A. Metz), was examined and testified as follows:</p> <p>EXAMINATION BY MR. KELLY:</p> <p>Q. Good morning, Mr. Cameron.</p> <p>My name is Bill Kelly. I represent defendant Marks Paneth & Shron in the action that brought us here today known as Edmonds against Seavey, et al.</p> <p>I'm going to ask you a series of questions this morning. If you don't understand me or if you don't hear me, please let me know. I will rephrase or I will speak louder.</p> <p>If you do answer the question, we will assume that you understood it and that you heard it and that your answer is to that question.</p> <p>A. Um-hum.</p> <p>Q. Are you represented by counsel here today?</p>
<p>3</p> <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>STIPULATIONS:</p> <p>IT IS HEREBY STIPULATED AND AGREED by and between the attorneys for the parties hereto that sealing and filing of the within deposition be and the same are hereby waived; and that the transcript may be signed before any Notary Public with the same force and effect as if signed before the Court.</p> <p>IT IS FURTHER STIPULATED AND AGREED that all objections, except as to the form of the question, shall be reserved to the time of trial.</p> <p>o o o</p>	<p>5</p> <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>Orley George Cameron THE WITNESS: Am I? MR. HAYWOODE: I think he is represented by independent counsel, but I am here to assist, you know. But he has no independent attorney. THE WITNESS: Do I need one? MR. KELLY: It's not for me to answer your questions today. MR. HAYWOODE: Perhaps if you come to that conclusion at any time you will tell Mr. Kelly and then you will have to arrange to get a lawyer. I don't know. MR. KELLY: I am going to ask the court reporter to mark the Subpoena to Orley Cameron as Defendants' Exhibit 13. (Copy of Subpoena issued to Orly Cameron (sic), marked Defendants' Exhibit 13 for identification, this date.) Q. Mr. Cameron, did you bring any documents with you here today in connection with this matter? A. Yes. Q. What documents did you bring with</p>

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<p>6</p> <p>1 Orley George Cameron</p> <p>2 you today?</p> <p>3 A. I brought with me a couple of</p> <p>4 correspondence between our firm Cameron,</p> <p>5 Griffiths & Pryce and Dalton Management.</p> <p>6 Some of them were directed to Marks</p> <p>7 Paneth, yes.</p> <p>8 Q. Did you bring any timesheets or</p> <p>9 diaries reflecting -- first, did you bring any</p> <p>10 timesheets reflecting time spent in connection</p> <p>11 with this engagement?</p> <p>12 A. No.</p> <p>13 Q. Did you bring any billing records in</p> <p>14 connection with this engagement?</p> <p>15 A. No.</p> <p>16 Q. I am going to ask the witness to</p> <p>17 look at Exhibit 13, please.</p> <p>18 Have you ever seen this Exhibit 13</p> <p>19 before today?</p> <p>20 A. Yes.</p> <p>21 Q. Were you served with this subpoena</p> <p>22 in a civil case prior to your appearance here</p> <p>23 today?</p> <p>24 A. Yes.</p> <p>25 Q. When you were served with the</p>	<p>8</p> <p>1 Orley George Cameron</p> <p>2 A. We generally bill the client based</p> <p>3 on estimated time. We have a budget and we</p> <p>4 negotiate a price at the beginning of the</p> <p>5 engagement.</p> <p>6 Q. Do you bill by the hour or by some</p> <p>7 other method?</p> <p>8 A. We are billing is based on estimated</p> <p>9 hours, but we don't bill by the hours.</p> <p>10 We determine upfront based on an</p> <p>11 assessment of what the engagement might be and</p> <p>12 then we determine what the price should be.</p> <p>13 Q. So starting a new engagement or an</p> <p>14 engagement with the clients, is it correct to</p> <p>15 say that you estimate the amount of time you</p> <p>16 anticipate spending on that engagement --</p> <p>17 A. Yes.</p> <p>18 Q. -- agree to that total with the</p> <p>19 client for the total sum fees and that's how</p> <p>20 you bill your clients?</p> <p>21 A. Correct.</p> <p>22 Q. Is that how you billed Mr. Edmonds</p> <p>23 in this case?</p> <p>24 A. Correct.</p> <p>25 Q. Prior to or at the time of the</p>
<p>7</p> <p>1 Orley George Cameron</p> <p>2 subpoena, did you review the subpoena?</p> <p>3 A. Yes.</p> <p>4 Q. Did anybody instruct you not to</p> <p>5 bring documents with you today that may have</p> <p>6 been called for in the subpoena?</p> <p>7 A. No.</p> <p>8 Q. Can you tell me why you did not</p> <p>9 bring any timesheets in regard to your</p> <p>10 engagement here with Mr. Edmonds?</p> <p>11 A. We don't keep timesheets.</p> <p>12 Q. When you say "we," are you referring</p> <p>13 to the firm Cameron Griffiths & Pryce?</p> <p>14 A. Yes.</p> <p>15 Q. How does Cameron Griffiths & Pryce</p> <p>16 keep a record of the time spent on any</p> <p>17 particular engagement?</p> <p>18 A. We keep a record of the time in the</p> <p>19 workpapers, some of the workpapers that we do.</p> <p>20 Generally we don't keep regular</p> <p>21 time. We estimate the time that any</p> <p>22 engagement would have taken us and we work</p> <p>23 within that time.</p> <p>24 Q. Do you bill your clients for the</p> <p>25 time you spend on an engagement?</p>	<p>9</p> <p>1 Orley George Cameron</p> <p>2 engagement, how much time did you estimate you</p> <p>3 would bill Mr. Edmonds for this engagement?</p> <p>4 A. We -- based on having discussed with</p> <p>5 Mr. Edmonds and based on the fact this is an</p> <p>6 organization and we ask him, that is being</p> <p>7 audited over a period of time, we estimate it</p> <p>8 should not take us more than at most two, two</p> <p>9 and a half months. It's on that basis we</p> <p>10 determine, and two and a half months only to</p> <p>11 the extent we have to wait for confirmation.</p> <p>12 Q. Did you come to an amount that you</p> <p>13 thought would be the appropriate fee when you</p> <p>14 first were engaged by Mr. Edmonds?</p> <p>15 A. Yes.</p> <p>16 Q. What was that amount?</p> <p>17 A. We agreed on 1 percent of revenues</p> <p>18 for each project.</p> <p>19 Q. Did you have an understanding at the</p> <p>20 time you started the engagement of what the</p> <p>21 approximate revenues were for each project?</p> <p>22 A. Yes.</p> <p>23 Q. What projects are you referring to?</p> <p>24 A. Logan, Church Home, Charles Hill,</p> <p>25 Lakeview.</p>

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<p style="text-align: right;">10</p> <p>1 Orley George Cameron</p> <p>2 Q. What was your understanding at the</p> <p>3 time you started your engagement for the</p> <p>4 revenues for each of those projects?</p> <p>5 A. Lakeview we understand was</p> <p>6 approximately five million.</p> <p>7 Church -- Logan was a little less</p> <p>8 than a million.</p> <p>9 And Church Home was approximately</p> <p>10 two million, were approximately two million.</p> <p>11 Q. So, if my math is correct, you</p> <p>12 anticipated about eight million dollars of</p> <p>13 revenue for the projects?</p> <p>14 A. Yes.</p> <p>15 MR. HAYWOODE: I am sorry, Bill.</p> <p>16 Can I hear the numbers again?</p> <p>17 Five for Lakeview.</p> <p>18 Two for Church Home.</p> <p>19 MR. KELLY: And one for Logan.</p> <p>20 THE WITNESS: About 1.5.</p> <p>21 MR. HAYWOODE: 1.5 for Logan?</p> <p>22 THE WITNESS: Um-hum.</p> <p>23 Q. And how much did you anticipate for</p> <p>24 Church?</p> <p>25 A. Approximately \$2 million.</p>	<p style="text-align: right;">12</p> <p>1 Orley George Cameron</p> <p>2 amount of fees that you have received from</p> <p>3 Mr. Edmonds thus far?</p> <p>4 A. I think approximately about 150,</p> <p>5 160, approximately.</p> <p>6 \$150,000, approximately.</p> <p>7 Q. Do you have any outstanding invoices</p> <p>8 to Mr. Edmonds as we sit here today?</p> <p>9 A. No.</p> <p>10 Q. Do you anticipate billing</p> <p>11 Mr. Edmonds for work incurred thus far that he</p> <p>12 hasn't been billed yet?</p> <p>13 A. We would have to go back and review</p> <p>14 our work; but, currently, no.</p> <p>15 Q. When you say you have received</p> <p>16 150 or \$160,000, is that the fees received by</p> <p>17 you, personally, or the Cameron Griffiths &</p> <p>18 Pryce firm?</p> <p>19 A. The firm.</p> <p>20 Q. Is the 1 percent of revenues a</p> <p>21 regular practice of the firm in charging their</p> <p>22 audit clients?</p> <p>23 A. Yes.</p> <p>24 Q. When were you first engaged by</p> <p>25 Mr. Edmonds in connection with anything?</p>
<p style="text-align: right;">11</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: So it's a higher</p> <p>3 number.</p> <p>4 Q. So adding in now the Church amount,</p> <p>5 you anticipated about \$10 million of revenue</p> <p>6 for these projects?</p> <p>7 A. I think we estimate approximately</p> <p>8 \$9.5 million, thereabouts, \$10 million.</p> <p>9 Q. Do you know how much you have</p> <p>10 charged Mr. Edmonds thus far for your work in</p> <p>11 connection with this engagement?</p> <p>12 A. Well, it's approximately 1 percent</p> <p>13 of that bill and that was what we had agreed</p> <p>14 on.</p> <p>15 Q. Have you been paid by Mr. Edmonds</p> <p>16 the amount of money you have charged him?</p> <p>17 A. Yes.</p> <p>18 Q. Do you anticipate charging</p> <p>19 Mr. Edmonds any additional fees?</p> <p>20 A. Well, we have to do additional</p> <p>21 engagement.</p> <p>22 Once the engagement expands on what</p> <p>23 we anticipate, I expect it would have been,</p> <p>24 yes.</p> <p>25 Q. Can you put a dollar amount on the</p>	<p style="text-align: right;">13</p> <p>1 Orley George Cameron</p> <p>2 A. Approximately March -- approximately</p> <p>3 March of '07.</p> <p>4 Q. Had you done any work for</p> <p>5 Mr. Edmonds prior to March of '07?</p> <p>6 A. Never met him before.</p> <p>7 Q. Had you done any work for</p> <p>8 Mr. Edmonds prior to March of '07?</p> <p>9 A. No.</p> <p>10 Q. Had you done any work for</p> <p>11 Mr. Haywoode prior to March of '07?</p> <p>12 A. No.</p> <p>13 Q. How did you come to know</p> <p>14 Mr. Edmonds?</p> <p>15 A. Still a mystery to me.</p> <p>16 Someone from North Carolina called</p> <p>17 me, I think it's a CPA, another colleague,</p> <p>18 called me, asked me if I am willing to review</p> <p>19 some housing projects, and I said yes, and he</p> <p>20 told me that a gentleman named Mr. Edmonds is</p> <p>21 coming to see me.</p> <p>22 Q. Had you reviewed any -- had you done</p> <p>23 any work whatsoever in connection with real</p> <p>24 estate properties in the past?</p> <p>25 A. Yes.</p>

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<p>14</p> <p>1 Orley George Cameron</p> <p>2 Q. Let's go through your professional</p> <p>3 history.</p> <p>4 Are you a licensed CPA?</p> <p>5 A. Yes, I am.</p> <p>6 Q. Where are you licensed?</p> <p>7 A. New York State.</p> <p>8 Q. When did you become licensed?</p> <p>9 A. I think around '92, 1992. It's so</p> <p>10 long ago I can't remember.</p> <p>11 Q. Did you attend a college prior to</p> <p>12 becoming a CPA?</p> <p>13 A. Yes, that's a requirement.</p> <p>14 Q. What college did you attend?</p> <p>15 A. Brooklyn College.</p> <p>16 Q. What degree -- did you get a degree</p> <p>17 from Brooklyn College?</p> <p>18 A. Yes. I got a bachelor's degree from</p> <p>19 Brooklyn College.</p> <p>20 I continued on with the master's</p> <p>21 program, yes.</p> <p>22 Q. What was your degree in?</p> <p>23 A. Accounting.</p> <p>24 Q. After completing your time at</p> <p>25 Brooklyn College, what did you do</p>	<p>16</p> <p>1 Orley George Cameron</p> <p>2 funding from state agencies and we also</p> <p>3 audited state agencies because we audit -- we</p> <p>4 do performance audit.</p> <p>5 So basically review their oversight</p> <p>6 of the agencies that they fund.</p> <p>7 Q. After you left the State</p> <p>8 Controller's Office, what did you do next</p> <p>9 professionally?</p> <p>10 A. I worked as a controller for a</p> <p>11 not-for-profit organization in the city.</p> <p>12 Q. What organization was that?</p> <p>13 A. I think the current name is FACES.</p> <p>14 Then the name was Minority Task</p> <p>15 Force.</p> <p>16 Q. How long did you work at what was</p> <p>17 then called Minority Task Force?</p> <p>18 A. Approximately two and a half years.</p> <p>19 Q. Do you recall the year you stopped</p> <p>20 working at Minority Task Force?</p> <p>21 A. I remember clearly because that's</p> <p>22 when I start my own practice.</p> <p>23 It was August of 1994.</p> <p>24 Q. And when you started your own</p> <p>25 practice in August of 1994, what was it</p>
<p>15</p> <p>1 Orley George Cameron</p> <p>2 professionally next?</p> <p>3 A. Actually, while at Brooklyn College</p> <p>4 I worked as an auditor. I mean that's after</p> <p>5 my first degree. I worked as an auditor at --</p> <p>6 for the Department of Social Services.</p> <p>7 Then I transferred to the State</p> <p>8 Controller's Office and that's where I got my</p> <p>9 experience.</p> <p>10 Q. What years did you work at the State</p> <p>11 Controller's Office?</p> <p>12 A. I think it should be between 1990</p> <p>13 and '94. No, 1990 and '92, '93, yes.</p> <p>14 Q. And what were your duties while at</p> <p>15 the State Controller's Office?</p> <p>16 A. I was a state auditor.</p> <p>17 Q. What did you audit while you were</p> <p>18 there?</p> <p>19 A. I audited various state agencies,</p> <p>20 not-for-profit organizations that received</p> <p>21 funding from including DHCR, state funded.</p> <p>22 Q. Did you audit the state agencies or</p> <p>23 the entities that received funding from state</p> <p>24 agencies?</p> <p>25 A. We audit agencies that received</p>	<p>17</p> <p>1 Orley George Cameron</p> <p>2 called?</p> <p>3 A. My practice? Cameron Accounting.</p> <p>4 Q. When you started your own company</p> <p>5 Cameron and Company, did you have any</p> <p>6 partners?</p> <p>7 A. No.</p> <p>8 Q. Did you have any employees?</p> <p>9 A. Yes.</p> <p>10 Q. What was the nature of the work you</p> <p>11 provided at Cameron and Company?</p> <p>12 A. The same I provide now.</p> <p>13 I do audits, tax and consulting.</p> <p>14 Q. What type of audits do you perform?</p> <p>15 A. I perform audits of -- financial</p> <p>16 audits.</p> <p>17 Q. Do you audit financial statements of</p> <p>18 companies?</p> <p>19 A. Yes.</p> <p>20 Q. Do you perform forensic audits?</p> <p>21 A. Yes.</p> <p>22 Q. Do you perform fraud examinations?</p> <p>23 A. No.</p> <p>24 Q. What type of entities do you</p> <p>25 currently perform audits of financial</p>

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<p style="text-align: right;">18</p> <p>1 Orley George Cameron</p> <p>2 statements for?</p> <p>3 A. I audit numerous agencies: credit</p> <p>4 unions, mortgage brokers, churches,</p> <p>5 not-for-profit agencies, for-profit agencies.</p> <p>6 Q. Other than your engagement with</p> <p>7 Mr. Edmonds, do you audit any entities that</p> <p>8 own apartment complexes?</p> <p>9 A. No.</p> <p>10 Q. Other than your engagement with</p> <p>11 Mr. Edmonds, do you audit any entities that</p> <p>12 manage apartment complexes?</p> <p>13 A. No.</p> <p>14 Q. Other than your engagement with</p> <p>15 Mr. Edmonds, do you audit any entities that</p> <p>16 provide low income housing?</p> <p>17 A. No.</p> <p>18 Q. Other than your engagement with</p> <p>19 Mr. Edmonds, do you audit any companies that</p> <p>20 manage low income housing projects?</p> <p>21 A. No, but it might be instructive to</p> <p>22 know that Minority Task Force does provide low</p> <p>23 income assisted houses.</p> <p>24 One of the projects I have, I</p> <p>25 actually receive -- I oversaw the building of</p>	<p style="text-align: right;">20</p> <p>1 Orley George Cameron</p> <p>2 Q. What courses have you taken?</p> <p>3 A. Yellow Book Standard, GAGAS,</p> <p>4 Government Accounting Government Auditing</p> <p>5 Standards.</p> <p>6 Q. In your work at Cameron, Griffiths &</p> <p>7 Pryce, does Cameron, Griffiths & Pryce audit</p> <p>8 any entities that are regulated by the DHCR?</p> <p>9 A. Yes, the projects that we are</p> <p>10 currently on.</p> <p>11 Q. Other than the Edmonds engagement,</p> <p>12 does Cameron, Griffiths & Pryce audit any</p> <p>13 entities that are regulated by the DHCR?</p> <p>14 A. No.</p> <p>15 Q. Other than the Edmonds engagement,</p> <p>16 does Cameron, Griffiths & Pryce audit any</p> <p>17 entities that are regulated by HUD?</p> <p>18 A. No.</p> <p>19 Q. Other than the Edmonds engagement,</p> <p>20 does Cameron, Griffiths & Pryce audit any</p> <p>21 entities that are regulated by any state or</p> <p>22 government subsidized projects?</p> <p>23 A. No.</p> <p>24 Q. When you were first engaged by</p> <p>25 Mr. Edmonds, what was the engagement?</p>
<p style="text-align: right;">19</p> <p>1 Orley George Cameron</p> <p>2 it while I was there.</p> <p>3 Q. You are referring to the Minority</p> <p>4 Task Force that you were at between '92 and</p> <p>5 '94?</p> <p>6 A. Yes.</p> <p>7 Q. Since your completion of your</p> <p>8 studies at Brooklyn Law, have you taken any --</p> <p>9 A. Brooklyn College.</p> <p>10 Q. Brooklyn College. Sorry.</p> <p>11 -- have you taken any other</p> <p>12 educational courses in connection with your</p> <p>13 profession?</p> <p>14 A. Oh, that's required.</p> <p>15 Q. Have you taken any other</p> <p>16 professional courses in connection with</p> <p>17 auditing --</p> <p>18 A. Yes.</p> <p>19 Q. -- in connection with auditing?</p> <p>20 A. Yes.</p> <p>21 Every year, at least 40 credits.</p> <p>22 Q. Have you taken any professional</p> <p>23 courses in connection with auditing entities</p> <p>24 that provide low income housing?</p> <p>25 A. Yes. That's required, yes.</p>	<p style="text-align: right;">21</p> <p>1 Orley George Cameron</p> <p>2 A. The engagement was a regular</p> <p>3 financial statement audit.</p> <p>4 Q. Of what entities?</p> <p>5 A. The four projects: Lakeview,</p> <p>6 Charles Hill, Church Home, Logan.</p> <p>7 Q. Once you accepted the engagements,</p> <p>8 did you take steps to review any literature in</p> <p>9 connection with auditing these four projects?</p> <p>10 A. Sure.</p> <p>11 Q. What literature did you review?</p> <p>12 A. Well, the first thing I do I went to</p> <p>13 the HUD website to look at their -- what their</p> <p>14 requirements are.</p> <p>15 And by the way, just to be specific,</p> <p>16 Cameron, Griffiths & Pryce was formed</p> <p>17 specifically because I have my separate</p> <p>18 practice. I brought all twelve of them</p> <p>19 together to provide the necessary expertise to</p> <p>20 work on the project.</p> <p>21 Q. So prior to the engagement with</p> <p>22 Mr. Edmonds, Cameron, Griffiths & Pryce did</p> <p>23 not exist?</p> <p>24 A. Right.</p> <p>25 Q. What type of legal entity is</p>

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<p>22</p> <p>1 Orley George Cameron</p> <p>2 Cameron, Griffiths & Pryce?</p> <p>3 A. LLC.</p> <p>4 Q. Prior to the formation of Cameron,</p> <p>5 Griffiths & Pryce, what was the legal entity</p> <p>6 that you practiced at?</p> <p>7 A. Sole proprietorship.</p> <p>8 Q. Prior to the formation of Cameron,</p> <p>9 Griffiths & Pryce, what was the practice of</p> <p>10 Ms. Griffiths?</p> <p>11 A. She does the same type of practice</p> <p>12 we were.</p> <p>13 Actually, both of us collaborate and</p> <p>14 audit, but we have the same type of practice,</p> <p>15 yes.</p> <p>16 Q. Prior to the formation of Cameron,</p> <p>17 Griffiths & Pryce, what was the type of</p> <p>18 practice that Mr. Pryce practiced?</p> <p>19 A. Actually, he's a controller at</p> <p>20 FACES.</p> <p>21 Q. Is he a controller at FACES now?</p> <p>22 A. Now, yes.</p> <p>23 Q. Do you know if Ms. Griffiths, if she</p> <p>24 is a CPA?</p> <p>25 A. Yes.</p>	<p>24</p> <p>1 Orley George Cameron</p> <p>2 connection with Cameron, Griffiths & Pryce?</p> <p>3 A. Yes.</p> <p>4 Q. And in her sole proprietorship she</p> <p>5 has other clients other than Mr. Edmonds?</p> <p>6 A. Yes.</p> <p>7 Q. Do you know if Mr. Pryce has a sole</p> <p>8 proprietorship outside of Cameron, Griffiths &</p> <p>9 Pryce?</p> <p>10 A. Yes, he does practice, yes.</p> <p>11 Q. That's in addition to his work as</p> <p>12 controller at Minority FACES?</p> <p>13 A. Yes.</p> <p>14 Q. I believe you said that Mr. Edmonds</p> <p>15 is Cameron, Griffiths & Pryce's only client;</p> <p>16 correct?</p> <p>17 A. You are correct.</p> <p>18 Q. So all of the revenue generated by</p> <p>19 Cameron, Griffiths & Pryce is generated from</p> <p>20 the engagement with Mr. Edmonds?</p> <p>21 A. Correct.</p> <p>22 Q. What percentage of revenue to you,</p> <p>23 personally, is the engagement with John</p> <p>24 Edmonds?</p> <p>25 A. For me, personally?</p>
<p>23</p> <p>1 Orley George Cameron</p> <p>2 Q. Do you know if Mr. Pryce is a CPA?</p> <p>3 A. Yes, he is a CPA.</p> <p>4 We are not permitted to form</p> <p>5 partnership unless we are CPAs.</p> <p>6 Q. Do you know whether Ms. Griffiths</p> <p>7 prior to the formation of Cameron, Griffiths &</p> <p>8 Pryce had been involved in any audits of any</p> <p>9 DHCR regulated entities?</p> <p>10 A. I am not sure she audited.</p> <p>11 She worked almost every year at</p> <p>12 Deloitte and Touche.</p> <p>13 Q. Was that the seven years prior to</p> <p>14 forming Cameron, Griffiths & Pryce?</p> <p>15 A. I met her just about three years --</p> <p>16 about three years ago when she left.</p> <p>17 Q. Does Cameron, Griffiths & Pryce have</p> <p>18 any other client other than Mr. Edmonds?</p> <p>19 A. No.</p> <p>20 Q. Do I understand it correctly,</p> <p>21 though, that you in your sole proprietorship</p> <p>22 have other clients other than Mr. Edmonds?</p> <p>23 A. Correct.</p> <p>24 Q. Does Ms. Griffiths in her practice</p> <p>25 also have a sole proprietorship other than in</p>	<p>25</p> <p>1 Orley George Cameron</p> <p>2 Q. Correct.</p> <p>3 A. Less than 5 percent.</p> <p>4 Q. Do you know what percentage of</p> <p>5 revenue to Ms. Griffiths the engagement with</p> <p>6 John Edmonds provides?</p> <p>7 A. No.</p> <p>8 Q. Do you know what percentage of</p> <p>9 revenue to Mr. Pryce the engagement with John</p> <p>10 Edmonds provides?</p> <p>11 A. No.</p> <p>12 Q. When you first started the</p> <p>13 engagements with Mr. Edmonds, other than</p> <p>14 reviewing the HUD website, what other</p> <p>15 literature did you review in preparing for the</p> <p>16 audit?</p> <p>17 A. None that I recall offhand. I mean</p> <p>18 the only difference with those projects as</p> <p>19 compared to any other revenue-based project,</p> <p>20 it's the regulatory aspects.</p> <p>21 Q. In planning and preparing for your</p> <p>22 audit, did you develop any audit programs?</p> <p>23 A. Unfortunately, we did not get to</p> <p>24 that spot.</p> <p>25 Why? Because when we began, one of</p>

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<p style="text-align: right;">26</p> <p>1 Orley George Cameron</p> <p>2 the first requests we have, in order to</p> <p>3 develop -- you develop first your planning</p> <p>4 program and in order to get to your audit</p> <p>5 program with various steps, cash, et cetera,</p> <p>6 you first need a trial balance in order to</p> <p>7 review the accounting, do analytic -- get a</p> <p>8 sense of what the organization is.</p> <p>9 Unfortunately, they did not have</p> <p>10 trial balance.</p> <p>11 Q. When you were --</p> <p>12 MR. HAYWOODE: When you said they</p> <p>13 did not have trial balances, indicating</p> <p>14 Dalton Management?</p> <p>15 THE WITNESS: Dalton Management.</p> <p>16 Q. When you were first engaged by</p> <p>17 Mr. Edmonds, what did Mr. Edmonds tell you</p> <p>18 about the partnerships?</p> <p>19 A. He had a concern. He had a concern</p> <p>20 because he was getting -- he was receiving</p> <p>21 monthly financial statements, and one of the</p> <p>22 problems with the financial statement was</p> <p>23 there were entries in the distribution account</p> <p>24 that seems out of whack.</p> <p>25 I hope that's an English word.</p>	<p style="text-align: right;">28</p> <p>1 Orley George Cameron</p> <p>2 agreement with Mr. Edmonds that was written?</p> <p>3 A. Yes.</p> <p>4 Q. Do you still maintain a copy of that</p> <p>5 engagement agreement?</p> <p>6 A. Correct, sure.</p> <p>7 Q. Do you recall what the terms of that</p> <p>8 engagement were?</p> <p>9 A. Basically, we were going to do a</p> <p>10 financial statement audit in accordance with</p> <p>11 generally accepted auditing standards.</p> <p>12 Q. Once you started your engagement,</p> <p>13 what was the first step you undertook in</p> <p>14 furtherance of that engagement?</p> <p>15 A. I think we contacted Ron --</p> <p>16 MR. HAYWOODE: Indicating Mr. Dawley</p> <p>17 who is present today.</p> <p>18 A. And we asked for him to provide us</p> <p>19 with a number of items: bank reconciliation,</p> <p>20 trial balance, the standard items that we</p> <p>21 require for planning engagements.</p> <p>22 Q. Did you receive the items you</p> <p>23 requested?</p> <p>24 A. We did not receive the trial</p> <p>25 balance. We received the bank reconciliation,</p>
<p style="text-align: right;">27</p> <p>1 Orley George Cameron</p> <p>2 That was not normal. That was</p> <p>3 unusual.</p> <p>4 For example, the distribution</p> <p>5 account was showing a distribution in '06, for</p> <p>6 example, December of '06, of I think about</p> <p>7 over \$6,000, based on his estimation he should</p> <p>8 have received over 3,000 -- \$300,000. I am</p> <p>9 sorry. Over 600,000. Based on his estimation</p> <p>10 he should have received over 300,000, but</p> <p>11 there was not.</p> <p>12 So that was one of his major</p> <p>13 concerns.</p> <p>14 Q. What other concerns did he have?</p> <p>15 A. Those were the concerns that he</p> <p>16 articulate to me.</p> <p>17 His concern was basically whether or</p> <p>18 not he was getting his fair share of</p> <p>19 distribution.</p> <p>20 Q. Do you recall what entity he was</p> <p>21 referring to on that particular distribution?</p> <p>22 A. It was in all the four projects, but</p> <p>23 the one that we actually looked over in</p> <p>24 greater detail was Logan Plaza.</p> <p>25 Q. Did you enter into an engagement</p>	<p style="text-align: right;">29</p> <p>1 Orley George Cameron</p> <p>2 not all at once.</p> <p>3 Then it was -- we got -- what we got</p> <p>4 as far as the trial balance was monthly</p> <p>5 general ledgers.</p> <p>6 There is no way we can do an audit</p> <p>7 with that, but he was able to facilitate us</p> <p>8 for the annual general ledger.</p> <p>9 Q. At some point you received an annual</p> <p>10 general ledger?</p> <p>11 A. Yes.</p> <p>12 Q. And did that general ledger have an</p> <p>13 opening balance for each account?</p> <p>14 A. For the balance sheet account, yes.</p> <p>15 Q. Did that general ledger have a</p> <p>16 closing balance for each account?</p> <p>17 A. Yes.</p> <p>18 Q. What information is contained on a</p> <p>19 trial balance that is not contained on a</p> <p>20 general ledger?</p> <p>21 A. The general ledger is a detail</p> <p>22 listing of the account.</p> <p>23 The trial balance is a summary of</p> <p>24 the account. That's a basic tool of an</p> <p>25 audit. If we did not get a trial balance, we</p>

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<p>30</p> <p>1 Orley George Cameron</p> <p>2 must necessarily create one.</p> <p>3 Q. Does the general ledger break out</p> <p>4 the transactions by account?</p> <p>5 A. Yes.</p> <p>6 Q. And in breaking out those</p> <p>7 transactions by account, does it do it in a</p> <p>8 chronological order?</p> <p>9 A. Yes.</p> <p>10 Q. And at the end of that chronological</p> <p>11 order, is there a total for that account?</p> <p>12 A. Yes.</p> <p>13 Q. So could somebody take a general</p> <p>14 ledger with those totals broken out on an</p> <p>15 account by account basis and create a trial</p> <p>16 balance from that?</p> <p>17 A. Yes. Unfortunately, that's what we</p> <p>18 have to do. That's what we have to do if you</p> <p>19 didn't get a trial balance. But a trial</p> <p>20 balance is a basic tool of any competent</p> <p>21 accounting system.</p> <p>22 Q. How many accounts do each one of</p> <p>23 these partnerships have on their general</p> <p>24 ledger?</p> <p>25 A. I didn't count. We didn't count.</p>	<p>32</p> <p>1 Orley George Cameron</p> <p>2 A. Yes, the summary, yes.</p> <p>3 Q. Would the accounts receivable be</p> <p>4 reflected on the general ledger?</p> <p>5 A. Yes, the summary.</p> <p>6 Q. Would the loans be reflected on the</p> <p>7 general ledger?</p> <p>8 A. Yes.</p> <p>9 The amount would be reflected, but</p> <p>10 then if I see a loan for, if I may say,</p> <p>11 29,000, I need to see. So what we request is</p> <p>12 the documentation supporting those items on</p> <p>13 the general ledger.</p> <p>14 Q. At some point, did you issue a</p> <p>15 report in connection with your engagement in</p> <p>16 this matter?</p> <p>17 A. Yes.</p> <p>18 MR. KELLY: I am going to ask the</p> <p>19 court reporter to mark as Exhibit 14,</p> <p>20 this document.</p> <p>21 (Document entitled "Independent</p> <p>22 Auditors' Report," was marked as</p> <p>23 Defendants' Exhibit 14 for</p> <p>24 identification, as of this date.)</p> <p>25 MR. KELLY: I have asked the witness</p>
<p>31</p> <p>1 Orley George Cameron</p> <p>2 Several. Many.</p> <p>3 Q. So is it fair to say that the</p> <p>4 information that you required on the trial</p> <p>5 balance was contained in the general ledger</p> <p>6 but that it would have been difficult for you</p> <p>7 to take the information from the general</p> <p>8 ledger and use that as a trial balance?</p> <p>9 A. Time consuming. I mean difficulty,</p> <p>10 but time consuming.</p> <p>11 You have to create something that is</p> <p>12 automatically done by any competent accounting</p> <p>13 system.</p> <p>14 Q. Other than the bank reconciliations</p> <p>15 and the trial balance and general ledger items</p> <p>16 that we were just discussing, what else did</p> <p>17 you request in connection with performing the</p> <p>18 audits of the financial statements of these</p> <p>19 partnerships?</p> <p>20 A. Oh, God. We request -- request the</p> <p>21 loans, request the loans, request to see the</p> <p>22 schedule of accounts payable, accounts</p> <p>23 receivable, request the schedule for revenues.</p> <p>24 Q. Would the accounts payable be</p> <p>25 reflected on the general ledger?</p>	<p>33</p> <p>1 Orley George Cameron</p> <p>2 to review Exhibit 14.</p> <p>3 (Witness perusing document.)</p> <p>4 Q. Is this the report you issued in</p> <p>5 connection with your engagement in this</p> <p>6 matter?</p> <p>7 A. Yes.</p> <p>8 Q. Have you issued any other report in</p> <p>9 connection with your engagement in this</p> <p>10 matter?</p> <p>11 A. We issue what we call management</p> <p>12 comment, yes.</p> <p>13 Q. Do you see at the top of this</p> <p>14 document it's titled "Independent Auditors'</p> <p>15 Report"?</p> <p>16 A. Yes.</p> <p>17 Q. Has there been any subsequent</p> <p>18 auditors' report with a similar title?</p> <p>19 A. No.</p> <p>20 Q. In your work in connection with the</p> <p>21 engagements in this action, did you gain an</p> <p>22 understanding of the internal controls of</p> <p>23 these partnerships?</p> <p>24 A. Did we?</p> <p>25 MR. HAYWOODE: I didn't hear the</p>

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<p style="text-align: right;">34</p> <p>1 Orley George Cameron</p> <p>2 answer.</p> <p>3 THE WITNESS: He asked me, did</p> <p>4 we.</p> <p>5 A. Our assessment was there was no</p> <p>6 internal control that can be relied on,</p> <p>7 unfortunately.</p> <p>8 Q. What facts are you relying on to</p> <p>9 come to that assessment?</p> <p>10 A. To begin with, number one, we didn't</p> <p>11 have a trial balance. We did not have the</p> <p>12 trial balance.</p> <p>13 Number two, the accounts were, as</p> <p>14 Ron said, were on a cash basis, but we don't</p> <p>15 know because the accounts receivable and the</p> <p>16 revenue account had the same number of debits</p> <p>17 and credit.</p> <p>18 One of the things -- it's important</p> <p>19 to know that the revenue account is strictly a</p> <p>20 credit balance account.</p> <p>21 Your debit revenue -- I'm sorry.</p> <p>22 It's a credit revenue, a balance. You have</p> <p>23 your credit revenue, your debit, accounts</p> <p>24 receivable, or cash.</p> <p>25 You never credit revenues, then</p>	<p style="text-align: right;">36</p> <p>1 Orley George Cameron</p> <p>2 THE WITNESS: I don't know if he did</p> <p>3 not have them. He could not make them</p> <p>4 available to us. So let me put it this</p> <p>5 way.</p> <p>6 Q. In conducting your audit and in</p> <p>7 reaching whatever conclusions you reached, did</p> <p>8 you find that any money from any of the</p> <p>9 partnerships was improperly taken by any</p> <p>10 individual?</p> <p>11 A. We did not come to that conclusion,</p> <p>12 but we make some observation which obviously</p> <p>13 raises some concern to us.</p> <p>14 Q. Can you tell me your understanding</p> <p>15 of what a cash basis accounting method is?</p> <p>16 A. A cash basis accounting method is</p> <p>17 one where you report cash as you receive them,</p> <p>18 as opposed to, if I may say, because it's</p> <p>19 difficult to explain cash basis without</p> <p>20 referring to accrual basis.</p> <p>21 Accrual basis, you recognize</p> <p>22 revenues when earned, whether the cash is</p> <p>23 received or not, and you recognize expenses</p> <p>24 when incurred, whether they are paid or not.</p> <p>25 The cash basis on the other hand is</p>
<p style="text-align: right;">35</p> <p>1 Orley George Cameron</p> <p>2 debit revenues to bring it back to any.</p> <p>3 If your account is kept on an</p> <p>4 accrual basis, your credit revenues, debit</p> <p>5 accounts receivable.</p> <p>6 When you call it cash, you credit</p> <p>7 accounts receivable and you debit cash.</p> <p>8 Revenue remains the same.</p> <p>9 If you are on a cash basis, when you</p> <p>10 collect cash, your credit revenues, debit</p> <p>11 cash.</p> <p>12 Never do you have debit-credit going</p> <p>13 through your accounts receivable account</p> <p>14 unless you need to make correction adjustments</p> <p>15 which is generally few and far between.</p> <p>16 That's number one.</p> <p>17 Number two, with due respect to Ron,</p> <p>18 and he was very helpful, but he's the CEO.</p> <p>19 Much of the standard documentation that we</p> <p>20 request and require of the audit, he didn't</p> <p>21 have them. He didn't know where they are. He</p> <p>22 didn't have them in his possession.</p> <p>23 MR. HAYWOODE: I am sorry.</p> <p>24 He didn't have them in his</p> <p>25 possession?</p>	<p style="text-align: right;">37</p> <p>1 Orley George Cameron</p> <p>2 you just book the cash at the time you receive</p> <p>3 it.</p> <p>4 Q. Do you know which basis of</p> <p>5 accounting the partnerships were managed</p> <p>6 under?</p> <p>7 A. Well, Ron told us they use a cash</p> <p>8 basis, but then in a cash basis you don't bill</p> <p>9 revenues.</p> <p>10 MR. HAYWOODE: You don't --</p> <p>11 THE WITNESS: On the cash basis you</p> <p>12 don't bill revenues. You just collect</p> <p>13 revenues.</p> <p>14 I think what really happened and</p> <p>15 what complicated the issue was he was</p> <p>16 using both together, because he would</p> <p>17 bill the clients and then he reversed it,</p> <p>18 the billing.</p> <p>19 That's what, in my judgment, makes</p> <p>20 it difficult for us to audit revenues.</p> <p>21 Q. Earlier you said that you had not</p> <p>22 reached any conclusion as to whether or not</p> <p>23 money was improperly taken from the</p> <p>24 partnerships.</p> <p>25 Did you convey that information to</p>

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<p>38</p> <p>1 Orley George Cameron</p> <p>2 Mr. Edmonds?</p> <p>3 MR. HAYWOODE: Objection.</p> <p>4 That was not the witness's total</p> <p>5 answer.</p> <p>6 You left out the second part where</p> <p>7 he said concerns were raised.</p> <p>8 A. I conveyed -- if I may just add -- I</p> <p>9 conveyed those concerns. We conveyed those</p> <p>10 concerns in our management comment, management</p> <p>11 comment.</p> <p>12 Q. Did you ever tell Mr. Edmonds that</p> <p>13 you had not found any money improperly taken</p> <p>14 from any of these partnerships?</p> <p>15 MR. HAYWOODE: Objection.</p> <p>16 Asked and answered.</p> <p>17 The witness may respond if he</p> <p>18 understands.</p> <p>19 A. I did not convey those terms.</p> <p>20 Q. Did you ever tell Mr. Edmonds that</p> <p>21 you did find money that was improperly taken?</p> <p>22 MR. HAYWOODE: Objection.</p> <p>23 Asked and answered.</p> <p>24 The witness may answer.</p> <p>25 A. I did not confirm -- did not convey</p>	<p>40</p> <p>1 Orley George Cameron</p> <p>2 A. Yes, I do.</p> <p>3 Q. What is this document?</p> <p>4 A. This is what we call the management</p> <p>5 comments.</p> <p>6 Q. Is this the document you were</p> <p>7 referring to in your earlier testimony</p> <p>8 regarding management comments?</p> <p>9 A. Correct, yes.</p> <p>10 Q. Other than Exhibit 14, which is the</p> <p>11 independent auditors' report, and Exhibit 15,</p> <p>12 the one you have in front of you, did you</p> <p>13 provide any other reports or comments in</p> <p>14 writing to Mr. Edmonds?</p> <p>15 A. None that I recollect.</p> <p>16 MR. HAYWOODE: Let the record show</p> <p>17 that it is my representation that all the</p> <p>18 reports provided by Mr. Cameron and his</p> <p>19 associates have been delivered to you.</p> <p>20 So, again, to my present</p> <p>21 understanding, you have them all.</p> <p>22 MR. KELLY: Okay.</p> <p>23 Q. Are Exhibit 14 and Exhibit 15 all of</p> <p>24 the reports provided by Cameron, Griffiths &</p> <p>25 Pryce to Mr. Edmonds?</p>
<p>39</p> <p>1 Orley George Cameron</p> <p>2 those comments.</p> <p>3 We allow our reports to speak for</p> <p>4 themselves.</p> <p>5 Q. In Exhibit 14, I note that the last</p> <p>6 sentence -- actually, the entire last</p> <p>7 paragraph is one sentence, which concludes,</p> <p>8 "The scope of our work was not sufficient to</p> <p>9 enable us to express and we do not express an</p> <p>10 opinion on the financial statements referred</p> <p>11 to in the first paragraph."</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Has that changed?</p> <p>15 A. No.</p> <p>16 MR. KELLY: I am going to ask the</p> <p>17 court reporter to mark as the next</p> <p>18 exhibit which is Exhibit 15.</p> <p>19 (Copy of document on the letterhead</p> <p>20 of Cameron, Griffiths & Pryce, to</p> <p>21 Mr. John Edmonds, was marked as</p> <p>22 Defendants' Exhibit 15 for</p> <p>23 identification, as of this date.)</p> <p>24 Q. Do you have Exhibit 15 in front of</p> <p>25 you?</p>	<p>41</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: Again, not to</p> <p>3 interfere here, but if that's available,</p> <p>4 the only ones we have given you, then</p> <p>5 that might be all.</p> <p>6 MR. KELLY: I believe Mr. Cameron</p> <p>7 will be able to tell us if these were all</p> <p>8 the reports.</p> <p>9 Q. Are these all the reports you</p> <p>10 provided?</p> <p>11 A. Reports, yes.</p> <p>12 MR. KELLY: I think the fact that we</p> <p>13 have them both marked as exhibits</p> <p>14 indicate they have been provided to us.</p> <p>15 MR. HAYWOODE: I am simply saying I</p> <p>16 don't know if there may be more. You</p> <p>17 would know that.</p> <p>18 Q. Mr. Cameron, are there any other</p> <p>19 reports, other than Exhibits 14 and 15?</p> <p>20 A. We may have provided comments. I</p> <p>21 don't know. We may have provided</p> <p>22 communication. If we sent a memo, I don't</p> <p>23 know what else we have. These are the</p> <p>24 reports, these are the standard reports for</p> <p>25 audit, yes.</p>

11 (Pages 38 to 41)

<p style="text-align: right;">42</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: My objection is he</p> <p>3 may not remember.</p> <p>4 A. I don't remember all the</p> <p>5 communication we have had between, but I know</p> <p>6 these are the standard reports that we have</p> <p>7 provided.</p> <p>8 Q. Did you provide any other writings</p> <p>9 to Mr. Edmonds or Mr. Haywoode in connection</p> <p>10 with your engagement in this matter?</p> <p>11 A. I'm sure we have.</p> <p>12 Q. What writings did you provide to</p> <p>13 Mr. Edmonds?</p> <p>14 A. I communicate with him.</p> <p>15 I remember the first one that I</p> <p>16 communicated with him was the difficulty we</p> <p>17 had in getting information for the audit.</p> <p>18 Q. Did you bring a copy of that</p> <p>19 communication with you?</p> <p>20 A. No.</p> <p>21 Q. Do you remember when that</p> <p>22 communication occurred?</p> <p>23 MR. HAYWOODE: Once again, Bill,</p> <p>24 objection, because we supplied all this</p> <p>25 and Mr. Cameron knew that we supplied</p>	<p style="text-align: right;">44</p> <p>1 Orley George Cameron</p> <p>2 A. They were mailed, faxed, e-mailed.</p> <p>3 Q. Did you retain copies of these</p> <p>4 communications?</p> <p>5 A. Yes, we did.</p> <p>6 Q. What format would these</p> <p>7 communications look like?</p> <p>8 A. Word document.</p> <p>9 Q. Would they be addressed to</p> <p>10 Mr. Edmonds?</p> <p>11 A. Some of the ones, some of the</p> <p>12 communication to Mr. Edmonds were actually</p> <p>13 cc's, communication to Ron, the company, and</p> <p>14 they were cc'd to Mr. Edmonds, yes.</p> <p>15 Q. Let me see if I understand this so I</p> <p>16 can cut off some of these questions.</p> <p>17 The only formal reports were the two</p> <p>18 marked as 14 and 15?</p> <p>19 A. Yes.</p> <p>20 Q. But there were other communications</p> <p>21 and Mr. Edmonds may have been cc'd on some</p> <p>22 other documents that went to Dalton or other</p> <p>23 people?</p> <p>24 A. Correct.</p> <p>25 Q. In any of those other documents,</p>
<p style="text-align: right;">43</p> <p>1 Orley George Cameron</p> <p>2 it, which may explain why he didn't bring</p> <p>3 it.</p> <p>4 I think your question is asking him</p> <p>5 to recall things that, you know, I don't</p> <p>6 know that it is humanly possible to tell</p> <p>7 you, yes, there were seven of this and</p> <p>8 six of that.</p> <p>9 My objection to your question is how</p> <p>10 would he recall?</p> <p>11 MR. KELLY: I think we will ask him</p> <p>12 the question and we will find out what he</p> <p>13 does recall.</p> <p>14 MR. HAYWOODE: Okay.</p> <p>15 Q. What communications in writing have</p> <p>16 you had with Mr. Edmonds?</p> <p>17 MR. HAYWOODE: Objection, again.</p> <p>18 Same objection.</p> <p>19 A. I communicate to him some of the</p> <p>20 difficulties we are having in conducting the</p> <p>21 audit.</p> <p>22 Q. Did you send these communications as</p> <p>23 letters or memos?</p> <p>24 A. Memos.</p> <p>25 Q. Were those mailed to Mr. Edmonds?</p>	<p style="text-align: right;">45</p> <p>1 Orley George Cameron</p> <p>2 other than the two reports, did you render an</p> <p>3 opinion regarding your audit of the financial</p> <p>4 statements?</p> <p>5 A. We only render opinion on the</p> <p>6 financial statement or a disclaimer of</p> <p>7 opinion.</p> <p>8 Q. So none of those other documents</p> <p>9 would modify any opinion in these reports?</p> <p>10 A. No, unfortunately.</p> <p>11 Q. I am going to ask you to take a look</p> <p>12 at Exhibit 15, page 3.</p> <p>13 Do you see item 5, salaries and</p> <p>14 office expense?</p> <p>15 A. Um-hum.</p> <p>16 Q. What is your understanding of the</p> <p>17 issue you raise in this document?</p> <p>18 A. There was a contract which my</p> <p>19 reading of the contract indicates, number one,</p> <p>20 the project, I think they call them the</p> <p>21 projects, will pay frontline fees.</p> <p>22 But there is also a statement which</p> <p>23 said none of the fees, expenses, salaries of</p> <p>24 the central office shall be borne by the</p> <p>25 project.</p>

12 (Pages 42 to 45)

<p style="text-align: right;">46</p> <p>1 Orley George Cameron</p> <p>2 Q. Do you recall what contract you are</p> <p>3 referring to?</p> <p>4 A. That's the management contract.</p> <p>5 That's a contract between the partnership and</p> <p>6 the management company.</p> <p>7 Q. Did you read that entire contract</p> <p>8 when reaching this issue?</p> <p>9 A. Yes.</p> <p>10 Q. Did you notice any other provision</p> <p>11 of that contract that allowed for payment of</p> <p>12 front office salaries?</p> <p>13 A. Frontline, yes, but we define</p> <p>14 frontline office as the office at the</p> <p>15 project: Bookkeeping, project manager,</p> <p>16 clerks at the project, yes.</p> <p>17 And I think the wording of the</p> <p>18 contract will clearly illustrate to me that</p> <p>19 there was a delineation being made between the</p> <p>20 frontline office of the project and the</p> <p>21 central office, because in that contract it</p> <p>22 said all the salaries, expenses, rent of the</p> <p>23 management company, shall be borne out of the</p> <p>24 management company's own expense, if I</p> <p>25 remember that clearly.</p>	<p style="text-align: right;">48</p> <p>1 Orley George Cameron</p> <p>2 employees?</p> <p>3 A. Yes.</p> <p>4 Q. This paragraph has a reference to</p> <p>5 Exhibit G to the papers submitted in</p> <p>6 connection with that.</p> <p>7 Do you see that?</p> <p>8 A. Is G attached here? I see the</p> <p>9 reference, G, Exhibit G. I don't see G.</p> <p>10 Q. I actually think you just quoted</p> <p>11 from the document before.</p> <p>12 A. I did.</p> <p>13 MR. KELLY: I will state for the</p> <p>14 record I have Exhibit G in front of me</p> <p>15 and you had it right.</p> <p>16 Exhibit G, page 8, paragraph 16-I</p> <p>17 states:</p> <p>18 "Except as otherwise provided in</p> <p>19 this agreement, all of the agent's home</p> <p>20 office bookkeeping, clerical and other</p> <p>21 management, payroll, and overhead</p> <p>22 expenses, including, but not limited to,</p> <p>23 costs, office supplies and equipment,</p> <p>24 postage, transportation for managerial</p> <p>25 personnel, and telephone services, will</p>
<p style="text-align: right;">47</p> <p>1 Orley George Cameron</p> <p>2 I didn't know that my memory was so</p> <p>3 good.</p> <p>4 MR. KELLY: I am going to ask the</p> <p>5 court reporter to mark as the next</p> <p>6 exhibit, Exhibit 16.</p> <p>7 (Copy of Affidavit of Orley G.</p> <p>8 Cameron, was marked as Defendants'</p> <p>9 Exhibit 16 for identification, as of this</p> <p>10 date.)</p> <p>11 Q. Do you have Exhibit 16 in front of</p> <p>12 you?</p> <p>13 A. Um-hum.</p> <p>14 Q. Do you recognize Exhibit 16?</p> <p>15 A. Yes, I do.</p> <p>16 Q. Is Exhibit 16 an affidavit you</p> <p>17 supplied in this case?</p> <p>18 A. Yes.</p> <p>19 Q. I direct your attention to paragraph</p> <p>20 4 of the affidavit.</p> <p>21 A. Um-hum.</p> <p>22 Q. Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Does that paragraph discuss the</p> <p>25 issue of the payment of salaries of Dalton</p>	<p style="text-align: right;">49</p> <p>1 Orley George Cameron</p> <p>2 be borne by the agent out of his own</p> <p>3 funds and will not be treated as project</p> <p>4 expenses."</p> <p>5 Q. Is that the section you were</p> <p>6 referring to here in your affidavit here and</p> <p>7 in your testimony just before?</p> <p>8 A. Correct.</p> <p>9 Q. And you had a copy of this agreement</p> <p>10 at the time you were performing your audit</p> <p>11 services; correct?</p> <p>12 A. Um-hum.</p> <p>13 Q. And you had a copy of this agreement</p> <p>14 at the time you signed this affidavit?</p> <p>15 A. Um-hum.</p> <p>16 I said um-hum, but I did say yes.</p> <p>17 THE REPORTER: You did not say yes.</p> <p>18 I am writing exactly what you say, sir.</p> <p>19 THE WITNESS: I'm sorry.</p> <p>20 What did I say?</p> <p>21 THE REPORTER: You said um-hum.</p> <p>22 Q. Did somebody point out to you the</p> <p>23 clause of that contract or is that something</p> <p>24 you discovered on your own?</p> <p>25 A. I read it, yes. I read it. I had a</p>

13 (Pages 46 to 49)

<p style="text-align: right;">50</p> <p>1 Orley George Cameron</p> <p>2 discussion with Ron.</p> <p>3 I have a discussion with Mr. Edmonds</p> <p>4 about it.</p> <p>5 Q. What did --</p> <p>6 MR. HAYWOODE: Have you finished?</p> <p>7 Q. Did you finish your answer?</p> <p>8 A. Yes.</p> <p>9 Q. What did Mr. Dawley tell you about</p> <p>10 that in connection with this?</p> <p>11 A. He disagreed with my positions.</p> <p>12 I don't remember.</p> <p>13 Q. Did he explain why he disagreed with</p> <p>14 your position?</p> <p>15 A. I mean, he asserted that the payment</p> <p>16 or the employees that we were looking for, he</p> <p>17 said those were -- as a matter of fact, he</p> <p>18 confirmed that they were Dalton's employees</p> <p>19 and that's one of the reasons why he objected</p> <p>20 that we would not be able to see the personnel</p> <p>21 file, but he confirmed, he assert that they</p> <p>22 are frontline employees.</p> <p>23 There seemed to be a contradiction</p> <p>24 of that statement.</p> <p>25 Q. At the time you made the statement</p>	<p style="text-align: right;">52</p> <p>1 Orley George Cameron</p> <p>2 the resident superintendent will not be</p> <p>3 considered part of his compensation but will</p> <p>4 be treated as a project expense."</p> <p>5 A. Yes. I was very familiar with</p> <p>6 that. Those are the basic contending issues.</p> <p>7 Because the history was if that's</p> <p>8 the basis on which the allocations were made,</p> <p>9 then it means that the employees were project</p> <p>10 employees and, therefore, we have the right to</p> <p>11 see the personnel file.</p> <p>12 So if they were not project</p> <p>13 employees and we did not have the right to see</p> <p>14 the files, then they are central office</p> <p>15 employees, yes.</p> <p>16 Q. Section 13 says, "All such personnel</p> <p>17 will be employees of the agent and not the</p> <p>18 owner."</p> <p>19 Were you familiar with that</p> <p>20 provision of the contract?</p> <p>21 A. Section.</p> <p>22 Q. 13, "All such personnel will be</p> <p>23 employees of the agent and not the owner, and</p> <p>24 will be hired, paid, supervised and discharged</p> <p>25 by the agent."</p>
<p style="text-align: right;">51</p> <p>1 Orley George Cameron</p> <p>2 in the affidavit and had your discussion with</p> <p>3 Mr. Dawley --</p> <p>4 A. I had discussion -- my discussion</p> <p>5 was way before I made the statement in the</p> <p>6 affidavit.</p> <p>7 Q. At the time you made the statement</p> <p>8 in the affidavit, then, were you familiar with</p> <p>9 section 13 of the contract, 13-B specifically,</p> <p>10 which states, "The owner will reimburse the</p> <p>11 agent for compensation, including fringe</p> <p>12 benefits payable to frontline management</p> <p>13 employees, such as project manager, clerical</p> <p>14 and bookkeeping personnel and the maintenance</p> <p>15 employees, resident superintendent and the</p> <p>16 social services director, where applicable,</p> <p>17 and for all local, state and federal tax</p> <p>18 assessments, including, but not limited to,</p> <p>19 Social Security taxes, employment insurance</p> <p>20 and workman's compensation insurance, incident</p> <p>21 to the employment of such personnel. Such</p> <p>22 reimbursements will be paid out of the rental</p> <p>23 agency account and will be treated as project</p> <p>24 expenses. For this purpose, the rental value</p> <p>25 of any dwelling unit furnished rent free to</p>	<p style="text-align: right;">53</p> <p>1 Orley George Cameron</p> <p>2 Were you familiar with that section</p> <p>3 of this contract?</p> <p>4 A. Yes.</p> <p>5 Q. Is it your understanding that the</p> <p>6 employees were paid from funds from the</p> <p>7 project rather than funds from Dalton</p> <p>8 Management?</p> <p>9 A. Yes.</p> <p>10 MR. HAYWOODE: Objection.</p> <p>11 I don't understand the question, but</p> <p>12 the witness has answered.</p> <p>13 Q. Is it your understanding that --</p> <p>14 MR. KELLY: Let me withdraw that.</p> <p>15 Q. Is it your position that payment of</p> <p>16 the employees out of project expenses is</p> <p>17 improper pursuant to the contract?</p> <p>18 MR. HAYWOODE: Well, unless you say</p> <p>19 which employees -- if the witness</p> <p>20 understands, I don't.</p> <p>21 A. I prefer to answer the question you</p> <p>22 asked first.</p> <p>23 And it is my position that the</p> <p>24 employees were paid out of Dalton -- I mean</p> <p>25 the Dalton employees were paid out of the</p>

14 (Pages 50 to 53)

<p style="text-align: right;">54</p> <p>1 Orley George Cameron</p> <p>2 project expense.</p> <p>3 Q. Is it your position that that was in</p> <p>4 contravention of the agreement?</p> <p>5 A. Yes.</p> <p>6 MR. HAYWOODE: My objection is that</p> <p>7 the agreement clearly speaks for itself.</p> <p>8 Q. Are you familiar with an accounting</p> <p>9 term called adjusting journal entries?</p> <p>10 A. Oh, yes, yes.</p> <p>11 Q. Are you familiar with an accounting</p> <p>12 term, journal entries?</p> <p>13 A. Oh, yes.</p> <p>14 Q. Did you gain an understanding, as</p> <p>15 part of your audit involvement, how journal</p> <p>16 entries were made at Dalton Management in</p> <p>17 connection with these four projects?</p> <p>18 A. Not clearly, no.</p> <p>19 Q. Did you gain an understanding as to</p> <p>20 how adjusting journal entries were made by</p> <p>21 Dalton in connection with these four</p> <p>22 projects?</p> <p>23 MR. HAYWOODE: I object to the form</p> <p>24 of the question, "did you gain an</p> <p>25 understanding" because I don't know --</p>	<p style="text-align: right;">56</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: My objection is that</p> <p>3 it is argumentative.</p> <p>4 Perhaps you would change the</p> <p>5 question. I honestly don't understand</p> <p>6 what you're asking him.</p> <p>7 Did he gain an understanding of the</p> <p>8 French language, or did he gain an</p> <p>9 understanding of how the French language</p> <p>10 was being spoken in Quebec?</p> <p>11 Do you hear the nuance?</p> <p>12 MR. KELLY: I do, Mel, and I am</p> <p>13 comfortable with my line of questioning</p> <p>14 and I appreciate your objection.</p> <p>15 If the witness has a problem, he</p> <p>16 will let me know.</p> <p>17 Q. Are you familiar with the term "gain</p> <p>18 an understanding"?</p> <p>19 A. I am familiar with the term but I</p> <p>20 don't know what you mean, if we gain an</p> <p>21 understanding -- you mean of who did or of how</p> <p>22 they were done? We just saw the journal</p> <p>23 entries.</p> <p>24 Q. Putting that aside, I just want to</p> <p>25 explore your definition of "gain an</p>
<p style="text-align: right;">55</p> <p>1 Orley George Cameron</p> <p>2 A. You are right. I am not clear what</p> <p>3 it means if I gain an understanding.</p> <p>4 Journal entries are basic tools of</p> <p>5 accounting that we use to adjust and/or</p> <p>6 correct account balances.</p> <p>7 They were the same way at any</p> <p>8 organization.</p> <p>9 Q. Did you gain an understanding about</p> <p>10 how adjusting journal entries were made at</p> <p>11 Dalton in connection with these projects?</p> <p>12 MR. HAYWOODE: My objection, again,</p> <p>13 it sounds as if you are asking him, did</p> <p>14 you comprehend what method was being used</p> <p>15 by Dalton.</p> <p>16 Is that the question?</p> <p>17 Q. Does the witness understand the term</p> <p>18 "gain an understanding"?</p> <p>19 A. No, I'm not sure what it means.</p> <p>20 Q. Are you familiar with the term "gain</p> <p>21 an understanding"?</p> <p>22 A. Yes, I am familiar.</p> <p>23 Q. What is your -- explain to me what</p> <p>24 the term "gain an understanding" means to</p> <p>25 you?</p>	<p style="text-align: right;">57</p> <p>1 Orley George Cameron</p> <p>2 understanding."</p> <p>3 A. Okay.</p> <p>4 Q. How are you familiar with the term</p> <p>5 "gain an understanding"?</p> <p>6 MR. HAYWOODE: I object to the</p> <p>7 relevancy of his understanding of that</p> <p>8 phrase.</p> <p>9 The witness may answer.</p> <p>10 A. Gain an understanding means you</p> <p>11 comprehend, you have seen a situation and you</p> <p>12 review the situation and you come to an</p> <p>13 understanding, get a knowledge on the working,</p> <p>14 conceptually, of that situation.</p> <p>15 Q. Is "gain an understanding" a phrase</p> <p>16 often used in accounting standards?</p> <p>17 A. Very often, yes.</p> <p>18 Q. So when I use the term "gain an</p> <p>19 understanding," you understand that it's</p> <p>20 relating to your work as an accountant?</p> <p>21 A. Right, but I understand it's also a</p> <p>22 technical term.</p> <p>23 So unless you use it -- we generally</p> <p>24 use the term "gain an understanding" of the</p> <p>25 internal control structure, but we don't</p>

15 (Pages 54 to 57)

<p style="text-align: right;">58</p> <p>1 Orley George Cameron</p> <p>2 really gain an understanding of journal</p> <p>3 entries, because journal entries are journal</p> <p>4 entries.</p> <p>5 Q. Did you gain an understanding of how</p> <p>6 the journal entries were made, not of the</p> <p>7 particular journal entries, but the process in</p> <p>8 which Dalton made those entries?</p> <p>9 A. No.</p> <p>10 Q. Did you gain an understanding of how</p> <p>11 the adjusting journal entries were made, not</p> <p>12 the individual entries, but how the process</p> <p>13 was made?</p> <p>14 A. My understanding, and I hope this</p> <p>15 goes to the question that you asked, because</p> <p>16 my understanding of what Ron communicated to</p> <p>17 me was that the auditors make those entries.</p> <p>18 I don't know if that's the question you're</p> <p>19 asking. If that's the question you're asking,</p> <p>20 yes.</p> <p>21 Q. Do you know if anybody from Marks</p> <p>22 Paneth & Shron made journal entries on the</p> <p>23 books and records of Dalton Management in</p> <p>24 connection with these projects or do you know</p> <p>25 if Marks Paneth proposed journal entries, or</p>	<p style="text-align: right;">60</p> <p>1 Orley George Cameron</p> <p>2 the amount of journal entries at Dalton.</p> <p>3 Q. You are referring to the number of</p> <p>4 journal entries, not the amount of money</p> <p>5 involved?</p> <p>6 A. Both, both.</p> <p>7 Q. How much money was involved in the</p> <p>8 journal entries at Dalton?</p> <p>9 A. As a matter of fact, it's difficult</p> <p>10 for us to quantify because we have a</p> <p>11 spreadsheet where we separate the ledger on</p> <p>12 the adjusting trial balance of the</p> <p>13 accountant. It's way in the millions, several</p> <p>14 millions of dollars.</p> <p>15 Q. The adjusting journal entries, is it</p> <p>16 fair to characterize those as reclassification</p> <p>17 of entries on the general ledger?</p> <p>18 A. Yes. Many of them were, yes.</p> <p>19 Q. It does not -- is it fair to say</p> <p>20 that it doesn't reflect that money was</p> <p>21 improperly paid, just mischaracterized?</p> <p>22 A. It's difficult for me to say that.</p> <p>23 Let me say, for example, in one of</p> <p>24 the instances listed in our report where</p> <p>25 management -- where fees were reclassified</p>
<p style="text-align: right;">59</p> <p>1 Orley George Cameron</p> <p>2 something else?</p> <p>3 A. Well, the journal entries were -- I</p> <p>4 will put it this way: We get copies of the</p> <p>5 journal entries, listing of the journal</p> <p>6 entries, and they were described to us as the</p> <p>7 auditor's adjusting journal entries.</p> <p>8 So whether they were proposed, we</p> <p>9 see no evidence that they were approved of.</p> <p>10 The journal standards are the sole</p> <p>11 responsibility of management and they may be</p> <p>12 proposed by the auditors, but must be the</p> <p>13 responsibility of management, is the standard.</p> <p>14 Q. In your audits of other companies</p> <p>15 and in your experience as an accountant, when</p> <p>16 an auditor comes in and does their audit, is</p> <p>17 it common for the auditor to proposed</p> <p>18 adjusting journal entries?</p> <p>19 A. Yes.</p> <p>20 Not to the extent that they were at</p> <p>21 Dalton, no. But, yes.</p> <p>22 MR. HAYWOODE: I'm sorry. The</p> <p>23 answer was not to the extent --</p> <p>24 THE WITNESS: Not to the extent --</p> <p>25 not to the extent -- if I may say, not to</p>	<p style="text-align: right;">61</p> <p>1 Orley George Cameron</p> <p>2 from accounting line to management consulting,</p> <p>3 number one, we have no way and we could not</p> <p>4 determine whether or not those -- because one</p> <p>5 of the purposes of us looking at the account</p> <p>6 is to see whether or not the expenses</p> <p>7 themselves were appropriate, were</p> <p>8 appropriate. We have no way of seeing whether</p> <p>9 they were appropriate.</p> <p>10 There were invoices coming from '02</p> <p>11 that were reclassified into current year's</p> <p>12 expense. So, are those accounts?</p> <p>13 And, by the way, they were not</p> <p>14 accrued in the financial statements prior.</p> <p>15 So, are those appropriate? I don't know.</p> <p>16 That's a report we provide, that it</p> <p>17 raised concerns for us.</p> <p>18 Q. Do you know on what basis, cash</p> <p>19 basis or accrual basis, the financial</p> <p>20 statements were audited by Marks Paneth &</p> <p>21 Shron?</p> <p>22 A. They were -- well, the report that</p> <p>23 he had given, by its nature it was audited on</p> <p>24 an accrual basis.</p> <p>25 Q. And for the most part, the records</p>

16 (Pages 58 to 61)

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<p>62</p> <p>1 Orley George Cameron</p> <p>2 of Dalton were on a cash basis; correct?</p> <p>3 A. Yes. For the most part, yes.</p> <p>4 Q. In order to convert the cash basis</p> <p>5 records for an accrual basis financial</p> <p>6 statement, don't you need several adjusting</p> <p>7 journal entries?</p> <p>8 A. You need basically -- there are two</p> <p>9 entries that you need, actually.</p> <p>10 You need to adjust accounts</p> <p>11 receivable and you need to adjust accounts</p> <p>12 payable.</p> <p>13 That's all you need to adjust.</p> <p>14 Those are the two entries you need to adjust</p> <p>15 to bring cash basis to accrual basis.</p> <p>16 Q. And, in that process, did you review</p> <p>17 those adjusting journal entries?</p> <p>18 A. One of the difficulties we had,</p> <p>19 because, remember, Ron worked with us, with</p> <p>20 Marks Paneth for the explanation of the</p> <p>21 journal entries. But unfortunately, we have</p> <p>22 never -- I was looking forward to the</p> <p>23 opportunity to meet. We had never met until I</p> <p>24 think at the deposition, yes.</p> <p>25 MR. HAYWOODE: Indicating the</p>	<p>64</p> <p>1 Orley George Cameron</p> <p>2 between myself and Sandra.</p> <p>3 Q. Did you ask Mr. Jennings questions</p> <p>4 during this conference call?</p> <p>5 A. Yes, I did.</p> <p>6 Q. Did Mr. Jennings answer your</p> <p>7 questions during this conference call?</p> <p>8 A. Not -- yes, he did answer the</p> <p>9 questions.</p> <p>10 Q. Did he refuse to answer any of your</p> <p>11 questions?</p> <p>12 A. All right, if I may say, one of the</p> <p>13 issues we were discussing at that meeting was</p> <p>14 the fact that there was a loan that was</p> <p>15 forgiven and that loan was being amortized</p> <p>16 over a 30-year period, and we had a discussion</p> <p>17 as to why.</p> <p>18 They said that was not in accordance</p> <p>19 with GAAP.</p> <p>20 He took the position that GAAP was</p> <p>21 not -- GAAP was not important.</p> <p>22 Q. Do you recall the amount of the loan</p> <p>23 that was discussed?</p> <p>24 A. I think the loan -- I think it was a</p> <p>25 \$200,000 -- I don't remember the exact amount,</p>
<p>63</p> <p>1 Orley George Cameron</p> <p>2 February 3rd deposition of William</p> <p>3 Jennings.</p> <p>4 Q. Prior to that deposition of</p> <p>5 Mr. Jennings, did Mr. Jennings and you have a</p> <p>6 conversation regarding your work in connection</p> <p>7 with the Edmonds project?</p> <p>8 A. Yes.</p> <p>9 Q. In any of those conversations, did</p> <p>10 Mr. Jennings offer to meet with you to go over</p> <p>11 these journal entries?</p> <p>12 A. Yes.</p> <p>13 Q. Did you have an agreement to meet</p> <p>14 with him to go over these journal entries?</p> <p>15 A. No.</p> <p>16 Q. How often did you speak with</p> <p>17 Mr. Jennings?</p> <p>18 A. I spoke with him, I think it's</p> <p>19 once.</p> <p>20 As a matter of fact, when he called</p> <p>21 we had a conference call.</p> <p>22 I know he called and he left a</p> <p>23 message at my office once, and that was after</p> <p>24 we had a conversation before. So when I spoke</p> <p>25 with him, yes, it was a conference call</p>	<p>65</p> <p>1 Orley George Cameron</p> <p>2 but the loan was for a ten-year period, and</p> <p>3 the fact is that GAAP required that such loan</p> <p>4 must be amortized.</p> <p>5 I mean for tax purposes, it should</p> <p>6 have been recognized immediately.</p> <p>7 GAAP, over the period of the loan,</p> <p>8 at the minimum, even for tax purposes, it is</p> <p>9 to be amortized over the period of the loan,</p> <p>10 but it was being amortized over the period for</p> <p>11 30 years, which seemed to us arbitrary.</p> <p>12 Q. Other than this dispute about how to</p> <p>13 characterize -- how to treat the loan, did you</p> <p>14 have any other disputes with Mr. Jennings?</p> <p>15 A. No, there were no disputes.</p> <p>16 Actually, at that time we left on an</p> <p>17 agreement that we were going to put off,</p> <p>18 because we were going back and forth, we were</p> <p>19 going to put all the questions that we have</p> <p>20 together and we would have one meeting, which</p> <p>21 I think was -- which I think was good, was a</p> <p>22 desired compromise on both of our parts.</p> <p>23 Q. But the meeting never occurred?</p> <p>24 A. Well, the meeting never occurred,</p> <p>25 because when I asked to have him, then there</p>

17 (Pages 62 to 65)

<p style="text-align: right;">66</p> <p>1 Orley George Cameron</p> <p>2 was a dispute, actually not between Jennings</p> <p>3 and myself but between Ron and myself, as to</p> <p>4 who was going to pay for his time.</p> <p>5 Q. So there was a dispute as to who</p> <p>6 would pay for Mr. Jennings' time --</p> <p>7 A. Right.</p> <p>8 Q. -- to respond to these inquiries</p> <p>9 from Cameron, Griffiths & Pryce?</p> <p>10 A. Right.</p> <p>11 Q. As auditor for these entities, are</p> <p>12 the fees charged by Marks Paneth & Shron set</p> <p>13 by a contract?</p> <p>14 A. Yes.</p> <p>15 Q. And if additional work outside the</p> <p>16 audit is to be undertaken, such as responding</p> <p>17 to these inquiries, they can't be charged</p> <p>18 under the audit; correct?</p> <p>19 A. Correct.</p> <p>20 Q. So Mr. Jennings could not charge his</p> <p>21 time to the partnerships without violating</p> <p>22 that contract; correct?</p> <p>23 A. Correct.</p> <p>24 Q. And it was your understanding that</p> <p>25 Mr. Jennings wanted to be paid for his time</p>	<p style="text-align: right;">68</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: Objection.</p> <p>3 That was not the witness's</p> <p>4 testimony.</p> <p>5 A. And, frankly, that was not my</p> <p>6 concern.</p> <p>7 Q. As a professional, though, you would</p> <p>8 agree that Mr. Jennings should be entitled to</p> <p>9 be compensated for his time?</p> <p>10 MR. HAYWOODE: Objection.</p> <p>11 What his opinion is on someone</p> <p>12 else's time is not relevant.</p> <p>13 A. Yes. I would expect it, yes.</p> <p>14 Q. Did you ever have any discussions</p> <p>15 with Mr. Edmonds regarding Generally Accepted</p> <p>16 Auditing Standards in the context of this</p> <p>17 engagement?</p> <p>18 A. Oh, yes.</p> <p>19 Q. What did you tell Mr. Edmonds about</p> <p>20 Generally Accepted Auditing Standards in the</p> <p>21 context of this engagement?</p> <p>22 A. I mean, we had several discussions.</p> <p>23 I can't recall what I told him.</p> <p>24 What I told him, obviously, if you</p> <p>25 look at -- Generally Accepted Auditing -- I'm</p>
<p style="text-align: right;">67</p> <p>1 Orley George Cameron</p> <p>2 spent responding to these inquiries?</p> <p>3 A. Yes. That was what was communicated</p> <p>4 to me, yes.</p> <p>5 MR. HAYWOODE: Indicating Mr. Dawley</p> <p>6 communicated that?</p> <p>7 THE WITNESS: Yes.</p> <p>8 Q. Do you know if Mr. Jennings was ever</p> <p>9 paid for his time in responding to these</p> <p>10 inquiries?</p> <p>11 A. I don't know.</p> <p>12 It's interesting to note, though,</p> <p>13 that we were not auditing Marks Paneth &</p> <p>14 Shron.</p> <p>15 We were auditing --</p> <p>16 MR. HAYWOODE: Dalton.</p> <p>17 A. -- Dalton. I keep forgetting that</p> <p>18 because their name is so similar.</p> <p>19 We were auditing Dalton. So the</p> <p>20 information we requested was and expected to</p> <p>21 be provided by Dalton.</p> <p>22 Q. Did you expect Mr. Jennings to</p> <p>23 provide his time to respond to these inquiries</p> <p>24 without receiving compensation?</p> <p>25 A. No.</p>	<p style="text-align: right;">69</p> <p>1 Orley George Cameron</p> <p>2 sorry Standard --</p> <p>3 Q. Yes, GAAS.</p> <p>4 A. Yes, many.</p> <p>5 One of the salient points which was</p> <p>6 of concern was the independence as compared to</p> <p>7 the standard that is promulgated by the GAO.</p> <p>8 Q. What are you referring to when you</p> <p>9 talk about the independence?</p> <p>10 A. The auditor's independence, GAO, as</p> <p>11 well as the Office of Government Accounting</p> <p>12 office, as well as SAS, Statement on Auditing</p> <p>13 Standards, specifically delineate, if I may</p> <p>14 say, the arm's length requirement between an</p> <p>15 auditor and an auditee.</p> <p>16 Q. In the context of this engagement</p> <p>17 between Marks Paneth & Shron and the</p> <p>18 partnerships, what issue did you have with</p> <p>19 regard to Marks Paneth & Shron's independence?</p> <p>20 A. Numerous.</p> <p>21 We saw those numerous journal</p> <p>22 entries that were being made, number one.</p> <p>23 Number two, the documentations that</p> <p>24 we requested of Dalton Management, he referred</p> <p>25 us to the accountant.</p>

18 (Pages 66 to 69)

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<p style="text-align: right;">70</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: I'm sorry. He,</p> <p>3 meaning Mr. Dawley?</p> <p>4 THE WITNESS: Right.</p> <p>5 A. He referred us to the accountants</p> <p>6 Marks Paneth & Shron.</p> <p>7 As a matter of fact, with regard to</p> <p>8 the journal entries, he said those are the</p> <p>9 accountants' journal entries. You may ask</p> <p>10 them about that. If I may quote Ron, he said</p> <p>11 those are the accountants' journal entries.</p> <p>12 You have to ask them about that.</p> <p>13 The standards specifically state,</p> <p>14 specifically state that, number one, the books</p> <p>15 and records of the auditee is the sole</p> <p>16 responsibility of management.</p> <p>17 The accountant's responsibility is</p> <p>18 to assist and to render an opinion on them.</p> <p>19 That's number one.</p> <p>20 Number two, there is also a</p> <p>21 standard, what they call, there is a contract,</p> <p>22 it's the de minimis, that rule requires that</p> <p>23 additional, what they call nonaudit service</p> <p>24 that is performed by the auditor should not be</p> <p>25 more than 40 hours and should not exceed</p>	<p style="text-align: right;">72</p> <p>1 Orley George Cameron</p> <p>2 accounting independent standard. I think it's</p> <p>3 Amendment No. 3. I don't remember the</p> <p>4 specific, but read along from point 13 to 26</p> <p>5 and it clearly illustrates.</p> <p>6 Q. And what standard are you referring</p> <p>7 to?</p> <p>8 A. GAGAS, Government Accounting</p> <p>9 Standards, Auditing Standards, Government</p> <p>10 Auditing Standard -- I'm sorry.</p> <p>11 Q. Generally Accepted Government</p> <p>12 Auditing Standards?</p> <p>13 A. Thank you. That's the definition.</p> <p>14 Q. What section?</p> <p>15 A. Amendment No. 3, and that was</p> <p>16 promulgated and became effective in '03. So</p> <p>17 that's the rule.</p> <p>18 Q. Other than in that section, are you</p> <p>19 aware of any other provisions that govern the</p> <p>20 de minimis rule?</p> <p>21 A. SAS standard, but I don't remember</p> <p>22 the exact one.</p> <p>23 Q. What in SAS governs the de minimis</p> <p>24 rule?</p> <p>25 A. And the basic standards -- the basic</p>
<p style="text-align: right;">71</p> <p>1 Orley George Cameron</p> <p>2 \$5,000. That's a GAGAS rule.</p> <p>3 Anything above that, it says,</p> <p>4 destroys the auditor's independence.</p> <p>5 We know that in '06, request a</p> <p>6 contract for \$34,000 -- actually, we did not</p> <p>7 see the contract but we know the contract is</p> <p>8 amount is \$34,000 because that is what was</p> <p>9 disclosed in the supplemental report, but all</p> <p>10 the prior year's contracts said \$34,000,</p> <p>11 approximately 34,000, I think it's 34,155,</p> <p>12 which clearly set out what the accountant's</p> <p>13 responsibilities are, and that there should be</p> <p>14 additional services, that those services must</p> <p>15 be approved by DHCR.</p> <p>16 Q. That was a long answer. I am going</p> <p>17 to try and break it down so we can have a</p> <p>18 discussion.</p> <p>19 A. Yes.</p> <p>20 Q. At some point you talked about the</p> <p>21 de minimis rule.</p> <p>22 A. Yes.</p> <p>23 Q. Do you know what standard you are</p> <p>24 referring to when you talk about that?</p> <p>25 A. The de minimis rule, it's the</p>	<p style="text-align: right;">73</p> <p>1 Orley George Cameron</p> <p>2 overarching principle is that the auditor must</p> <p>3 be independent in both substance and</p> <p>4 appearance.</p> <p>5 It says, the auditor should not</p> <p>6 perform nonaudit service, such that anyone is</p> <p>7 familiar with these types of services, these</p> <p>8 activities, would have any suspicions that</p> <p>9 independence is violated.</p> <p>10 Q. You mentioned the auditor should not</p> <p>11 have more than 40 hours of work or \$5,000 in</p> <p>12 fees?</p> <p>13 A. Right. That's the de minimis rule,</p> <p>14 yes.</p> <p>15 Q. In what rule does it set forth</p> <p>16 40 hours or \$5,000?</p> <p>17 A. I don't remember it off the bat. I</p> <p>18 can find it.</p> <p>19 I think the rule speaks of</p> <p>20 materiality. The rule speaks of materiality.</p> <p>21 In the question and answer, at least</p> <p>22 the guidance that is provided for that rule</p> <p>23 states no more than 40 hours, no more than</p> <p>24 \$5,000.</p> <p>25 So, number one, the rule</p>

19 (Pages 70 to 73)

<p style="text-align: right;">74</p> <p>1 Orley George Cameron</p> <p>2 specifically states materiality, the guidance</p> <p>3 provides the amount.</p> <p>4 Q. So the de minimis rule has a</p> <p>5 materiality component such that the larger the</p> <p>6 organization being audited, the larger the</p> <p>7 de minimis level?</p> <p>8 A. I don't know.</p> <p>9 MR. HAYWOODE: Objection. Is that a</p> <p>10 question or are you testifying?</p> <p>11 A. I am not aware of that.</p> <p>12 The guidance basically says 40</p> <p>13 hours, 5,000.</p> <p>14 MR. HAYWOODE: My objection, again,</p> <p>15 to the question, because it sounded like</p> <p>16 testimony rather than a question to the</p> <p>17 witness.</p> <p>18 Excuse me. I would just assume from</p> <p>19 that if someone was paid \$3 million he</p> <p>20 had more leeway to his relative</p> <p>21 materiality figure which would be</p> <p>22 astronomical, but it doesn't work that</p> <p>23 way. It doesn't hold. The proposition</p> <p>24 doesn't hold, is my point.</p> <p>25 Q. Do you know if Marks Paneth & Shron</p>	<p style="text-align: right;">76</p> <p>1 Orley George Cameron</p> <p>2 A. No, it would not.</p> <p>3 Q. Even in situations in which the tax</p> <p>4 preparer charged fees in excess of the 40</p> <p>5 hours and \$5,000, would that compromise</p> <p>6 independence?</p> <p>7 MR. HAYWOODE: Objection, because</p> <p>8 from the witness's testimony, that's not</p> <p>9 this case.</p> <p>10 He just testified it was included in</p> <p>11 the contract.</p> <p>12 A. To answer the question, no, it would</p> <p>13 not, but it was included in the contract, yes,</p> <p>14 but that's permitted. That's what is nonaudit</p> <p>15 services permitted in the independence rule.</p> <p>16 Q. Would representation of the</p> <p>17 taxpayer, the entity, in connection with an</p> <p>18 IRS audit, also be permitted under the rule</p> <p>19 you are discussing?</p> <p>20 A. It would, but it is still, though,</p> <p>21 governed by the de minimis rule.</p> <p>22 Actually, the standard clearly</p> <p>23 expresses that when there is a conflict, when</p> <p>24 such conflict between audit service and</p> <p>25 nonaudit service arises, the audit</p>
<p style="text-align: right;">75</p> <p>1 Orley George Cameron</p> <p>2 provided tax preparation services to any of</p> <p>3 the partnerships?</p> <p>4 A. That's included in the contract.</p> <p>5 Q. What contract are you referring to?</p> <p>6 A. The engagement between them, yes.</p> <p>7 Q. Are the fees charged for the tax</p> <p>8 preparation work included within the audit</p> <p>9 fees?</p> <p>10 A. Yes, it is one contract, yes.</p> <p>11 Q. The amount of audit fees charged,</p> <p>12 does that include work done for tax</p> <p>13 preparation?</p> <p>14 A. The contract, the engagement letter,</p> <p>15 especially for -- has three components:</p> <p>16 Audit, tax and cash flow analysis.</p> <p>17 Q. Were those three components charged</p> <p>18 separately by Marks Paneth & Shron?</p> <p>19 A. When you say if they were charged</p> <p>20 separately, no, not to my knowledge. All of</p> <p>21 that is covered in the contract.</p> <p>22 Q. Does the fact that an accounting</p> <p>23 firm provides tax preparation services, in</p> <p>24 addition to audit services, compromise the</p> <p>25 firm's independence?</p>	<p style="text-align: right;">77</p> <p>1 Orley George Cameron</p> <p>2 organization must evaluate and make a choice</p> <p>3 as to what they want to do, whether they want</p> <p>4 to maintain the audit service or maintain the</p> <p>5 nonaudit service.</p> <p>6 But because of the independence,</p> <p>7 because of the concern for independence, the</p> <p>8 rule clearly, the de minimis rule basically</p> <p>9 fixed, said nonaudit service should not exceed</p> <p>10 5,000 or 40 hours because it may compromise</p> <p>11 independence.</p> <p>12 Q. Are you aware that Fifth and 106th</p> <p>13 Street Associates was subjected to an IRS</p> <p>14 audit during -- for yearend 2003?</p> <p>15 A. I saw an invoice to that extent,</p> <p>16 yes. That was paid, apparently, I don't know</p> <p>17 if it's all of it or some of it, I don't know</p> <p>18 what the amount of it, but there was an</p> <p>19 invoice to the extent that it was paid in '06.</p> <p>20 Q. Does the representation of Marks</p> <p>21 Paneth & Shron in connection with that IRS</p> <p>22 audit, is that an exception to the de minimis</p> <p>23 rule and the rule of independence?</p> <p>24 A. There is no exception to the</p> <p>25 de minimis rule.</p>

20 (Pages 74 to 77)

<p style="text-align: right;">78</p> <p>1 Orley George Cameron</p> <p>2 There is an exception to the</p> <p>3 nonaudit service, but it is bound by the</p> <p>4 de minimis rule.</p> <p>5 Q. Is that engagement to represent</p> <p>6 Fifth and 106th Street Associates in</p> <p>7 connection with the IRS audit an exception to</p> <p>8 the independence rule?</p> <p>9 A. I don't know what the price was, and</p> <p>10 I don't know what the amount of time that was</p> <p>11 involved.</p> <p>12 Q. Do you recall what the outcome was</p> <p>13 in connection with the IRS audit?</p> <p>14 MR. HAYWOODE: Objection to the</p> <p>15 relevance.</p> <p>16 A. No. That was not an issue for me.</p> <p>17 MR. KELLY: I am going to ask the</p> <p>18 court reporter to mark this as the next</p> <p>19 exhibit.</p> <p>20 (Copy of document on the letterhead</p> <p>21 of Internal Revenue Service, Department</p> <p>22 of the Treasury, dated October 26, 2006,</p> <p>23 was marked as Defendants' Exhibit 17 for</p> <p>24 identification, as of this date.)</p> <p>25 Q. Do you have Exhibit 17 in front of</p>	<p style="text-align: right;">80</p> <p>1 Orley George Cameron</p> <p>2 is not an objection permissible under the</p> <p>3 Federal Rules.</p> <p>4 A. What a no change means?</p> <p>5 Q. Yes.</p> <p>6 A. It means that an audit was done and</p> <p>7 there were no findings.</p> <p>8 The tax return was not adjusted. It</p> <p>9 remained as it was filed.</p> <p>10 MR. HAYWOODE: Just one second.</p> <p>11 Darren, we've had this discussion a</p> <p>12 couple of times.</p> <p>13 We never know where these</p> <p>14 depositions wind up being heard, whether</p> <p>15 it's a state agency or a federal agency,</p> <p>16 which is why the suggestion as to better</p> <p>17 practice is to make objections which</p> <p>18 would be made in a court of law, so long</p> <p>19 as you are compliant for the most part</p> <p>20 with 221 rules. That's why we do it.</p> <p>21 MR. TRAUB: 221 is a state court</p> <p>22 rule and this is a federal court</p> <p>23 proceeding.</p> <p>24 MR. HAYWOODE: New York State</p> <p>25 practice and federal practice is very</p>
<p style="text-align: right;">79</p> <p>1 Orley George Cameron</p> <p>2 you?</p> <p>3 A. Um-hum.</p> <p>4 Q. Have you seen this letter before?</p> <p>5 (Witness perusing document.)</p> <p>6 A. I don't recall.</p> <p>7 I saw something related to this, but</p> <p>8 not specifically this one, no.</p> <p>9 Q. What did you see related to the IRS</p> <p>10 audit?</p> <p>11 A. Huh?</p> <p>12 Q. What did you see related to the IRS</p> <p>13 audit?</p> <p>14 A. I saw a letter from I think one of</p> <p>15 the Seaveys, saying that the audit was done</p> <p>16 and there was no change.</p> <p>17 Q. What does no change mean in the</p> <p>18 context of an IRS audit?</p> <p>19 MR. HAYWOODE: Objection to the</p> <p>20 relevance of this entire line.</p> <p>21 MR. TRAUB: I want to point out that</p> <p>22 objection to relevancy is not permissible</p> <p>23 under the Federal Rules.</p> <p>24 MR. HAYWOODE: I'm sorry?</p> <p>25 MR. TRAUB: Objection to relevancy</p>	<p style="text-align: right;">81</p> <p>1 Orley George Cameron</p> <p>2 similar.</p> <p>3 I have the book here and I can show</p> <p>4 it to you.</p> <p>5 It talks about the depositions in</p> <p>6 the federal rule states. New York is a</p> <p>7 federal rule state.</p> <p>8 MR. TRAUB: There is a difference</p> <p>9 between federal rules and state rules.</p> <p>10 My only point is your objection to</p> <p>11 relevancy is not permissible and</p> <p>12 appropriate under the federal rules.</p> <p>13 I am not going to argue with you</p> <p>14 about it. I made my statement on the</p> <p>15 record.</p> <p>16 MR. HAYWOODE: You never know where</p> <p>17 these transcripts wind up being heard.</p> <p>18 That is why it is the suggestion of</p> <p>19 the bar, some lawyers, some professors,</p> <p>20 that it's better to say it than not.</p> <p>21 That's all.</p> <p>22 EXAMINATION</p> <p>23 BY MR. KELLY:</p> <p>24 Q. Isn't it fair to say that a no</p> <p>25 change decision by the IRS is a good thing for</p>

21 (Pages 78 to 81)

<p style="text-align: right;">82</p> <p>1 Orley George Cameron</p> <p>2 the taxpayer to receive?</p> <p>3 A. Oh, every time.</p> <p>4 MR. HAYWOODE: Off the record.</p> <p>5 (Whereupon, a discussion was held</p> <p>6 off the record.)</p> <p>7 MR. HAYWOODE: May I have 35</p> <p>8 seconds?</p> <p>9 MR. KELLY: We haven't taken a break</p> <p>10 yet. Let's take a short recess.</p> <p>11 (Whereupon, a recess was taken from</p> <p>12 11:56 a.m. to 12:04 p.m.)</p> <p>13 EXAMINATION</p> <p>14 BY MR. KELLY:</p> <p>15 Q. In connection with your work in</p> <p>16 connection with the engagement with</p> <p>17 Mr. Edmonds, did you have the occasion to</p> <p>18 review monthly reports that were sent to</p> <p>19 Mr. Edmonds?</p> <p>20 A. I saw them. I frankly didn't review</p> <p>21 them because they were not necessarily in good</p> <p>22 form. We were working on the project, so I</p> <p>23 didn't necessarily --</p> <p>24 MR. HAYWOODE: I'm sorry?</p> <p>25 A. They were not necessarily in good</p>	<p style="text-align: right;">84</p> <p>1 Orley George Cameron</p> <p>2 distribution, the distribution was actually,</p> <p>3 I think, 260 for '06.</p> <p>4 Q. Any other discrepancies you found</p> <p>5 with regard to the monthly reports?</p> <p>6 A. I mean, I just focused on the</p> <p>7 account. Those monthly reports were not</p> <p>8 relevant for us.</p> <p>9 Q. Do you know if anybody else at</p> <p>10 Cameron, Griffiths & Pryce had any</p> <p>11 communications with Mr. Jennings, other than</p> <p>12 yourself?</p> <p>13 A. I mean that one time when we spoke</p> <p>14 it was a conference call between Sandra --</p> <p>15 with Sandra, me, and Mr. Jennings.</p> <p>16 Q. Do you know if Ms. Griffiths had any</p> <p>17 conversations with Mr. Jennings outside of</p> <p>18 your being involved in the call?</p> <p>19 A. Not to my knowledge.</p> <p>20 Q. Do you know if Mr. Pryce had any</p> <p>21 conversations with Mr. Jennings outside of</p> <p>22 your presence?</p> <p>23 A. Not to my knowledge, but I can</p> <p>24 almost say a firm no.</p> <p>25 Q. I am sorry. I didn't mean to limit</p>
<p style="text-align: right;">83</p> <p>1 Orley George Cameron</p> <p>2 form.</p> <p>3 MR. HAYWOODE: You said something</p> <p>4 after that.</p> <p>5 A. We were working on the project, so I</p> <p>6 didn't want to have to spend time on those</p> <p>7 monthly reports.</p> <p>8 Q. So is it safe to say that you</p> <p>9 haven't identified anything misstated or wrong</p> <p>10 in those monthly reports?</p> <p>11 A. Oh, yes.</p> <p>12 The one that I saw, the distribution</p> <p>13 account was incorrect.</p> <p>14 Q. What was incorrect about the</p> <p>15 distribution account?</p> <p>16 A. I mean the distribution account,</p> <p>17 first of all the distribution account has</p> <p>18 debit balance, which it will have, but it</p> <p>19 was -- when we compared one for December, for</p> <p>20 example, Logan, it was showing 651,000 and</p> <p>21 that continued, I am talking about December of</p> <p>22 '06, and that continued through January,</p> <p>23 February, March, April, May of '07. It</p> <p>24 continued through '07.</p> <p>25 But when we reviewed the</p>	<p style="text-align: right;">85</p> <p>1 Orley George Cameron</p> <p>2 it to just Mr. Jennings.</p> <p>3 Did anybody at Marks Paneth & Shron</p> <p>4 have conversations with -- I will put it in</p> <p>5 the same order. Excuse me.</p> <p>6 Do you know if Ms. Griffiths had any</p> <p>7 conversations with anybody at Marks Paneth &</p> <p>8 Shron, other than what you are aware of with</p> <p>9 that conference call?</p> <p>10 A. Not to my knowledge.</p> <p>11 Q. And the same question for</p> <p>12 Mr. Pryce.</p> <p>13 A. Not to my knowledge.</p> <p>14 Q. Is it fair to say that you are the</p> <p>15 primary professional on this engagement for</p> <p>16 Cameron, Griffiths & Pryce?</p> <p>17 A. To the extent that, yes, I was the</p> <p>18 one first contacted, right.</p> <p>19 Q. Are you the person most</p> <p>20 knowledgeable at Cameron, Griffiths & Pryce</p> <p>21 with regard to the engagements?</p> <p>22 A. No. We are equally knowledgeable,</p> <p>23 yes.</p> <p>24 I think I am the least</p> <p>25 knowledgeable, actually. They're much sharper</p>

22 (Pages 82 to 85)

<p style="text-align: right;">86</p> <p>1 Orley George Cameron</p> <p>2 than me.</p> <p>3 Q. What was your role in this</p> <p>4 engagement?</p> <p>5 A. In terms of what? All three of us</p> <p>6 worked on it together.</p> <p>7 Adam much less because while Sandra</p> <p>8 and myself are self-employed, Adam has other</p> <p>9 employment.</p> <p>10 Q. Do you know if Ms. Griffiths or</p> <p>11 Mr. Pryce had any communications with</p> <p>12 Mr. Edmonds outside of your presence?</p> <p>13 A. Not to my knowledge, no.</p> <p>14 Q. Prior to appearing here today for</p> <p>15 this deposition, did you have discussions</p> <p>16 about this deposition with anybody?</p> <p>17 A. Yes. We discussed it together, Adam</p> <p>18 and Sandra, we discuss it together.</p> <p>19 Q. What did you discuss?</p> <p>20 A. We discussed the -- we went over the</p> <p>21 information for the audit. We went over the</p> <p>22 audit procedures. We went over the standards,</p> <p>23 applicable standards.</p> <p>24 Q. When you say you went over</p> <p>25 procedures and applicable standards, are you</p>	<p style="text-align: right;">88</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: I object.</p> <p>3 Q. What were those conversations?</p> <p>4 A. He told me what time and where to</p> <p>5 go.</p> <p>6 MR. KELLY: It seems like</p> <p>7 Mr. Haywoode has an objection.</p> <p>8 MR. HAYWOODE: Yes.</p> <p>9 My objection is if they had</p> <p>10 conversations with me as an attorney or</p> <p>11 in contemplation of my representation of</p> <p>12 them, I'm not sure that's something you</p> <p>13 are permitted to inquire about.</p> <p>14 MR. TRAUB: Are you stating on the</p> <p>15 record that you represent Cameron,</p> <p>16 Griffiths & Pryce as their attorney?</p> <p>17 MR. HAYWOODE: No. I made the</p> <p>18 statement that I did not, this morning.</p> <p>19 But if they approached me with such</p> <p>20 an intention, then I would question if</p> <p>21 that aspect of any discussion would be</p> <p>22 admissible.</p> <p>23 With that caution, the witness can</p> <p>24 answer.</p> <p>25 Q. Did you ever approach Mr. Haywoode</p>
<p style="text-align: right;">87</p> <p>1 Orley George Cameron</p> <p>2 referring to specific documents you looked at</p> <p>3 or in general?</p> <p>4 A. Both.</p> <p>5 Q. What documents did you look at?</p> <p>6 A. I looked at the -- I looked at the</p> <p>7 GAGAS independent standard.</p> <p>8 Sandra looked at SAS.</p> <p>9 Adam looked at the Yellow Book.</p> <p>10 And we shared notes.</p> <p>11 Q. Did you look at any documents other</p> <p>12 than what you just testified to?</p> <p>13 A. In general, there were many</p> <p>14 documents we looked at. We shared notes.</p> <p>15 Q. Other than those specific documents</p> <p>16 you identified, do you recall any other</p> <p>17 specific documents you looked at in</p> <p>18 preparation for the deposition?</p> <p>19 A. No, not specific for the deposition.</p> <p>20 Q. Did you have any conversations with</p> <p>21 Mr. Edmonds?</p> <p>22 A. In preparation, no.</p> <p>23 Q. Did you have any conversations with</p> <p>24 Mr. Haywoode?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">89</p> <p>1 Orley George Cameron</p> <p>2 with the intention of engaging his services as</p> <p>3 an attorney?</p> <p>4 A. No.</p> <p>5 Q. What were the discussions you had</p> <p>6 with Mr. Edmonds -- excuse me.</p> <p>7 A. By the way I asked him did I think</p> <p>8 we needed an attorney for this. That was the</p> <p>9 only question.</p> <p>10 Q. What else did the discussion with</p> <p>11 Mr. Haywoode do you recall?</p> <p>12 A. As a matter of fact, the discussion</p> <p>13 we had this morning, because the deposition</p> <p>14 said 150 East 42nd Street, and he told me, no,</p> <p>15 it's at 2 Park Place.</p> <p>16 So that was the last discussion I</p> <p>17 remember.</p> <p>18 Q. Turning back to Exhibit 16, the</p> <p>19 affidavit, did you prepare this document?</p> <p>20 A. Exhibit 16?</p> <p>21 Q. Exhibit 16.</p> <p>22 A. I didn't prepare it. I edited it.</p> <p>23 Q. Do you have in your possession --</p> <p>24 MR. KELLY: Strike that.</p> <p>25 Q. Were you provided a draft of this</p>

23 (Pages 86 to 89)

<p style="text-align: right;">90</p> <p>1 Orley George Cameron</p> <p>2 document that you then edited?</p> <p>3 A. Yes.</p> <p>4 Q. Do you still have a copy of that</p> <p>5 draft of that document?</p> <p>6 A. No. It was sent to me and I get on</p> <p>7 my WordPerfect. Whatever was sent was...</p> <p>8 Q. Who sent you this document?</p> <p>9 A. I don't remember.</p> <p>10 Q. Do you --</p> <p>11 A. I think, was it Joan?</p> <p>12 Q. Is it that you don't recall the</p> <p>13 individual who sent it but you recall it was</p> <p>14 sent from a particular law office?</p> <p>15 A. It came from --</p> <p>16 MR. HAYWOODE: If the question is</p> <p>17 was the document typed at my office, I</p> <p>18 believe that every document in this</p> <p>19 litigation was typed in my office or</p> <p>20 prepared in my office by my personnel.</p> <p>21 Q. So is it fair to say the draft of</p> <p>22 this document was sent to you from</p> <p>23 Mr. Haywoode's office, you made changes on</p> <p>24 your computer and sent it back?</p> <p>25 A. Right.</p>	<p style="text-align: right;">92</p> <p>1 Orley George Cameron</p> <p>2 you gave Mr. Kelly today and that you let me</p> <p>3 finish my question, first, and that you give</p> <p>4 an oral answer to it.</p> <p>5 Again, if you don't understand my</p> <p>6 question or statement in it, please let me</p> <p>7 know and I will rephrase it for you.</p> <p>8 A. Okay. Did I do such with Kelly?</p> <p>9 Q. Yes. That's what you did with him</p> <p>10 so I am asking that you do the same thing with</p> <p>11 me.</p> <p>12 A. Okay.</p> <p>13 Q. When Mr. Edmonds first approached</p> <p>14 you in March of 2007 about this project, what</p> <p>15 did he tell you was the scope of the project?</p> <p>16 A. He told me that he needed an audit.</p> <p>17 He needed to have the audit.</p> <p>18 My question was, was this an audit</p> <p>19 to comply with changing auditors, or is it an</p> <p>20 audit to comply with HUD requirement?</p> <p>21 He said, no, it's an audit.</p> <p>22 And he raised the issue with the</p> <p>23 distribution in the account. He just want to</p> <p>24 see why. He's concerned because of those</p> <p>25 amounts in the distribution were not</p>
<p style="text-align: right;">91</p> <p>1 Orley George Cameron</p> <p>2 Q. Do you recall what changes you made</p> <p>3 from the original document?</p> <p>4 A. No. That's over a year ago.</p> <p>5 MR. KELLY: I believe I am finished</p> <p>6 with my questioning.</p> <p>7 I will be handing off the witness to</p> <p>8 Mr. Traub.</p> <p>9 Is this a good time to take a break</p> <p>10 or do you want to go right into it?</p> <p>11 MR. HAYWOODE: You can go right</p> <p>12 through, Darren.</p> <p>13 MR. TRAUB: I can be done by one</p> <p>14 o'clock.</p> <p>15 MR. KELLY: Then let's do that.</p> <p>16 (Pause.)</p> <p>17 EXAMINATION</p> <p>18 BY MR. TRAUB:</p> <p>19 Q. Mr. Cameron, as you know, I am</p> <p>20 Darren Traub from the law firm of Herrick,</p> <p>21 Feinstein LLP and we represent the Seavey</p> <p>22 defendants, Dalton Management, Ron Dawley, the</p> <p>23 Seavey organization in this matter.</p> <p>24 I have a few questions to ask you.</p> <p>25 I ask that you give me the same courtesy that</p>	<p style="text-align: right;">93</p> <p>1 Orley George Cameron</p> <p>2 reflecting what he should have been getting.</p> <p>3 So that was where he had a concern.</p> <p>4 Q. Did he ask you to perform a forensic</p> <p>5 accounting on some of these matters or simply</p> <p>6 an audit?</p> <p>7 A. We gave him a regular, what do you</p> <p>8 call it, standard audit engagement, forensic,</p> <p>9 yes.</p> <p>10 Q. When you say we, who are you</p> <p>11 referring to?</p> <p>12 A. Cameron, Griffiths & Pryce.</p> <p>13 Q. At that time in March of 2007 was</p> <p>14 Cameron, Griffiths & Pryce already organized?</p> <p>15 A. No. We organized, but at the time</p> <p>16 when we gave him the engagement we were</p> <p>17 organized.</p> <p>18 He contacted me in '05. In March I</p> <p>19 looked at the scope of the project.</p> <p>20 I am familiar with the audit, but I</p> <p>21 forget when I bring additional expertise,</p> <p>22 forensic to the project.</p> <p>23 Q. Did he tell you how large each of</p> <p>24 the partnership's housing projects were?</p> <p>25 A. Yes. In terms of the number of</p>

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<p>94</p> <p>1 Orley George Cameron</p> <p>2 units?</p> <p>3 Q. Yes.</p> <p>4 A. Yes.</p> <p>5 Q. Did he tell you that these housing</p> <p>6 projects were regulated by different entities,</p> <p>7 such as DHCR, HUD, Mitchell-Lama, and others?</p> <p>8 A. Yes.</p> <p>9 Q. Did you tell him at that time that</p> <p>10 you did not have experience, prior to this</p> <p>11 engagement, with government regulated -- with</p> <p>12 government regulated housing projects?</p> <p>13 A. No, not in those terms, no.</p> <p>14 Q. What terms did you use?</p> <p>15 A. I told him I'm not quite familiar</p> <p>16 with them, but his issue was not so much the</p> <p>17 regulation or the compliance issue. So we</p> <p>18 didn't see that as a conflict.</p> <p>19 That's one of the reasons why Adam</p> <p>20 was brought in, because of that regulation.</p> <p>21 Q. And what is Adam's experience again?</p> <p>22 A. Adam currently is a controller at</p> <p>23 FACES where they manage or the firm manages</p> <p>24 HUD-assisted projects.</p> <p>25 Q. Do they manage DHCR projects?</p>	<p>96</p> <p>1 Orley George Cameron</p> <p>2 Accounting Standards.</p> <p>3 Q. Did anyone counsel you to form</p> <p>4 Cameron, Griffiths & Pryce as an entity?</p> <p>5 A. No. We elected to.</p> <p>6 Q. And who wrote the organizational</p> <p>7 documents for you?</p> <p>8 A. I did.</p> <p>9 Q. And who filed the organizational</p> <p>10 documents for Cameron, Griffiths & Pryce?</p> <p>11 A. I did.</p> <p>12 Q. Did you inform Mr. Edmonds that you</p> <p>13 would be forming Cameron, Griffiths & Pryce in</p> <p>14 response to his retaining the company?</p> <p>15 A. Yes, we did. An engagement letter</p> <p>16 is in Cameron, Griffiths & Pryce.</p> <p>17 Q. Did the three members of Cameron,</p> <p>18 Griffiths & Pryce put in capital contributions</p> <p>19 into the formation of Cameron, Griffiths &</p> <p>20 Pryce?</p> <p>21 A. Yes.</p> <p>22 Q. And those capital contributions paid</p> <p>23 for things such as the letterhead?</p> <p>24 A. Um-hum.</p> <p>25 Q. And the business cards?</p>
<p>95</p> <p>1 Orley George Cameron</p> <p>2 A. I don't know who or what are the</p> <p>3 agencies that are involved.</p> <p>4 When I was there, it was HPD. But</p> <p>5 since then they have had funding from various</p> <p>6 government agencies.</p> <p>7 Q. Do you think that to do a complete</p> <p>8 audit of the four partnerships at issue here</p> <p>9 that you need to have an understanding of the</p> <p>10 different governmental regulations and</p> <p>11 requirements to understand the different types</p> <p>12 of investment accounts, capital accounts, and</p> <p>13 distributions that are made?</p> <p>14 A. To some extent, but remember our</p> <p>15 focus was not on the regulation or the</p> <p>16 compliance issue.</p> <p>17 Our focus was on the financial,</p> <p>18 internal controls, and there's a difference.</p> <p>19 Q. Specifically your focus was what?</p> <p>20 A. My focus was first financial.</p> <p>21 Q. To determine whether or not</p> <p>22 Mr. Edmonds was getting all of the</p> <p>23 distributions that were due to him?</p> <p>24 A. And that the financial statements</p> <p>25 were in accordance with Generally Accepted</p>	<p>97</p> <p>1 Orley George Cameron</p> <p>2 A. Yes.</p> <p>3 Q. And any other related expenses?</p> <p>4 A. Um-hum.</p> <p>5 MR. KELLY: Can you just clarify</p> <p>6 those last couple of answers?</p> <p>7 THE WITNESS: Yes, yes, yes.</p> <p>8 MR. KELLY: Thank you.</p> <p>9 Q. To date since its formation</p> <p>10 Mr. Edmonds has been the only client of</p> <p>11 Cameron, Griffiths & Pryce; is that correct?</p> <p>12 A. That's correct.</p> <p>13 Q. In reviewing the files for Lakeview,</p> <p>14 did Cameron, Griffiths & Pryce discover that</p> <p>15 any money was actually missing or unaccounted</p> <p>16 for?</p> <p>17 A. We could not make that</p> <p>18 determination.</p> <p>19 Q. In reviewing the files for</p> <p>20 Logan, did Cameron, Griffiths & Pryce discover</p> <p>21 that any money was missing or unaccounted for?</p> <p>22 A. We could not make that</p> <p>23 determination.</p> <p>24 Q. In reviewing the files of Church</p> <p>25 Homes, did you discover any home that was</p>

25 (Pages 94 to 97)

<p style="text-align: right;">98</p> <p>1 Orley George Cameron</p> <p>2 missing or unaccounted for?</p> <p>3 A. We could not make that</p> <p>4 determination.</p> <p>5 MR. HAYWOODE: I object to the use</p> <p>6 of the term "unaccounted for," because</p> <p>7 there were several projections that</p> <p>8 would say supporting evidence was not</p> <p>9 supported.</p> <p>10 MR. TRAUB: Your objection goes</p> <p>11 beyond --</p> <p>12 MR. HAYWOODE: I object to the form</p> <p>13 of the question.</p> <p>14 MR. TRAUB: That is all you need to</p> <p>15 say.</p> <p>16 There is no question before you</p> <p>17 right now.</p> <p>18 Q. My next question is, in reviewing</p> <p>19 the files of Charles Hill, did Cameron,</p> <p>20 Griffiths & Pryce discover any money that was</p> <p>21 missing or unaccounted for?</p> <p>22 A. If I may use this opportunity to</p> <p>23 clarify --</p> <p>24 Q. First answer the last question.</p> <p>25 A. Not based on -- again, based on</p>	<p style="text-align: right;">100</p> <p>1 Orley George Cameron</p> <p>2 A. Because the expenses were on the</p> <p>3 books.</p> <p>4 The document was not available to</p> <p>5 vouch for those expenses, and that's what is</p> <p>6 in the disclaimer report. We were unable to</p> <p>7 vouch for the amounts.</p> <p>8 Q. So do you see the amount of money</p> <p>9 that is being reported but you are unable to</p> <p>10 actually verify that that amount --</p> <p>11 A. Right.</p> <p>12 Q. -- was spent?</p> <p>13 A. Right. In other words, the</p> <p>14 documentation supporting them, and most of</p> <p>15 those within those adjusting journal entries</p> <p>16 were not available.</p> <p>17 Q. Did you ever tell him a figure</p> <p>18 different than \$4 million?</p> <p>19 A. When we get, after -- I think, what</p> <p>20 do you call it -- the deposition started,</p> <p>21 discovery started and we were given additional</p> <p>22 information, we were able to update our</p> <p>23 records.</p> <p>24 Q. Since the discovery has started and</p> <p>25 you were given additional information, have</p>
<p style="text-align: right;">99</p> <p>1 Orley George Cameron</p> <p>2 information we have we can't make that</p> <p>3 determination.</p> <p>4 You notice that the report is a</p> <p>5 disclaimer because we did not have</p> <p>6 sufficient -- we were not provided with all</p> <p>7 the information that we need.</p> <p>8 Q. When you say the report is a</p> <p>9 disclaimer report, are you referring to</p> <p>10 Defendants' Exhibit 14 or Defendants' Exhibit</p> <p>11 15?</p> <p>12 A. Let me see which one is which.</p> <p>13 This is 15.</p> <p>14 Number 14, yes.</p> <p>15 Q. Okay.</p> <p>16 Did you or anyone to your knowledge</p> <p>17 at Cameron, Griffiths & Pryce ever tell</p> <p>18 Mr. Edmonds or Mr. Haywoode that you have</p> <p>19 discovered approximately a \$4 million</p> <p>20 discrepancy between the claimed expenses and</p> <p>21 any supporting documents for 2006 in any of</p> <p>22 the partnerships?</p> <p>23 A. At various stages, yes.</p> <p>24 Q. And what did you tell him about</p> <p>25 that?</p>	<p style="text-align: right;">101</p> <p>1 Orley George Cameron</p> <p>2 you been able to find documents to support</p> <p>3 some of the numbers?</p> <p>4 A. Some, yes.</p> <p>5 Q. But the number has not gone up since</p> <p>6 then?</p> <p>7 A. No. It has not gone up, no.</p> <p>8 Q. Have you discovered in reviewing all</p> <p>9 of the documents any payments that have gone</p> <p>10 directly to any of the Seaveys from a vendor?</p> <p>11 A. Gone to the Seaveys from a vendor?</p> <p>12 Q. Directly to the Seaveys from a</p> <p>13 vendor.</p> <p>14 A. That would not be in the document,</p> <p>15 no.</p> <p>16 Q. Have you not seen any documents that</p> <p>17 show that?</p> <p>18 A. That shows the vendor is someone</p> <p>19 that Dalton would have paid.</p> <p>20 Q. Yes. So you are not seeing any</p> <p>21 money from a vendor to the Seaveys; is that</p> <p>22 correct?</p> <p>23 MR. HAYWOODE: Objection.</p> <p>24 A. No. I don't know. Why would I see</p> <p>25 them in these books?</p>

26 (Pages 98 to 101)

<p style="text-align: right;">102</p> <p>1 Orley George Cameron</p> <p>2 Q. So the answer is no, then, you have</p> <p>3 not seen any documents?</p> <p>4 MR. HAYWOODE: In these books.</p> <p>5 A. Not in those books, no.</p> <p>6 Q. Have you seen any documents outside</p> <p>7 of the books?</p> <p>8 A. No.</p> <p>9 Q. Have you seen any payments that have</p> <p>10 gone from a tenant to any of the partnership</p> <p>11 projects directly to the Seaveys?</p> <p>12 A. No.</p> <p>13 Q. Earlier you said you have been paid</p> <p>14 roughly \$150,000 or \$160,000 for the original</p> <p>15 project, and then you stated that you may</p> <p>16 anticipate expanding the project and getting a</p> <p>17 different retainer?</p> <p>18 A. No, not that I anticipate. Well, I</p> <p>19 anticipate, because of the expansion of the</p> <p>20 project, right.</p> <p>21 Q. How has the project expanded since</p> <p>22 the original project that you had already</p> <p>23 discussed with us?</p> <p>24 A. The original engagement was to do a</p> <p>25 financial statement audit of '06.</p>	<p style="text-align: right;">104</p> <p>1 Orley George Cameron</p> <p>2 Q. Which report are you talking about?</p> <p>3 A. Exhibit 14.</p> <p>4 Q. Exhibit 14. Okay.</p> <p>5 A. So I'm sure it's subsequent to that.</p> <p>6 Q. Before you began your audit, were</p> <p>7 you shown any drafts of any complaints,</p> <p>8 affidavits or any other legal pleadings</p> <p>9 prepared for this lawsuit?</p> <p>10 A. No.</p> <p>11 Q. I think you testified earlier that</p> <p>12 the only auditor's report and written report</p> <p>13 giving or setting forth some findings were</p> <p>14 Defendants' Exhibits 14 and 15; is that</p> <p>15 correct?</p> <p>16 A. Um-hum.</p> <p>17 MR. KELLY: Wait. An oral answer,</p> <p>18 please.</p> <p>19 A. Oh, yes. I'm sorry.</p> <p>20 Q. Have you modified in any way</p> <p>21 Defendants' Exhibits 14 or 15 orally to</p> <p>22 Mr. Edmonds?</p> <p>23 A. If I modified it?</p> <p>24 Q. Yes.</p> <p>25 A. I don't understand what you mean by</p>
<p style="text-align: right;">103</p> <p>1 Orley George Cameron</p> <p>2 We have since then, there's a need</p> <p>3 to look at records going back to 2000.</p> <p>4 Q. So, in other words, you have now</p> <p>5 been asked to look at documents and records</p> <p>6 other than the 2006 audit, but when you were</p> <p>7 originally retained it was only to review</p> <p>8 the books and records of 2006; is that right?</p> <p>9 A. Right.</p> <p>10 Actually, Mr. Edmonds contemplated a</p> <p>11 full audit beginning with 2002, but as a start</p> <p>12 we said let's start with '06.</p> <p>13 Q. When were you asked to expand your</p> <p>14 review of the audit outside of 2006, tax</p> <p>15 returns, documents and statements?</p> <p>16 MR. KELLY: I object to the form of</p> <p>17 that.</p> <p>18 Q. You can answer.</p> <p>19 A. When was I asked?</p> <p>20 Q. When were you asked to expand the</p> <p>21 scope of your audit from the 2006 books and</p> <p>22 records?</p> <p>23 A. I don't remember specifically.</p> <p>24 I think we gave -- the report is</p> <p>25 dated November 29, '08.</p>	<p style="text-align: right;">105</p> <p>1 Orley George Cameron</p> <p>2 modify it.</p> <p>3 Q. Have you told him any additional</p> <p>4 information or findings, other than as</p> <p>5 reflected in Defendants' Exhibits 14 and 15?</p> <p>6 A. Yes. Actually, yes.</p> <p>7 Since, based on the discovery, there</p> <p>8 was an invoice for \$22,000 that was dated, I</p> <p>9 think, in '05. I think it was dated in '05</p> <p>10 that was providing support of a closing and</p> <p>11 was amortized as part of a closing cost that</p> <p>12 was conducted in March of '04. The closing</p> <p>13 was in March or -- I'm sorry -- '04, yes,</p> <p>14 March or April of '04.</p> <p>15 And that invoice was issued in '05.</p> <p>16 I think it's about thirteen months after and</p> <p>17 was being amortized as part of the closing.</p> <p>18 I obviously had some concern about</p> <p>19 that. Number one, it's legitimacy, since it</p> <p>20 came in a year after, and it's proprietary</p> <p>21 because it's amortized. Audits are never</p> <p>22 amortized. That's number one.</p> <p>23 Number two, I think it compromises</p> <p>24 the audit function because the auditor is</p> <p>25 actually auditing his own work.</p>

27 (Pages 102 to 105)

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<p style="text-align: right;">106</p> <p>1 Orley George Cameron</p> <p>2 I mean, assuming the invoice,</p> <p>3 because the invoice was amortized -- the word</p> <p>4 is "capitalized" -- as part of the audit, as</p> <p>5 part of a mortgage closing, but it lists</p> <p>6 several items on the invoice including, I</p> <p>7 don't remember the specific wording, something</p> <p>8 that has to do with review mortgage document,</p> <p>9 because it talks about taxes, it talks about</p> <p>10 cash flows, it talks about requests from the</p> <p>11 partners. That was the invoice from Marks</p> <p>12 Paneth & Shron.</p> <p>13 Q. So other than the invoice to Marks</p> <p>14 Paneth & Shron for \$22,000 --</p> <p>15 A. Actually, it's a little bit more</p> <p>16 than that.</p> <p>17 Q. Approximately \$22,000.</p> <p>18 Have you advised Mr. Edmonds of any</p> <p>19 other issues you have discovered other than as</p> <p>20 set forth in Defendants' Exhibits 14 and 15?</p> <p>21 A. No, just general discussion of the</p> <p>22 nature and the quality of the internal control</p> <p>23 structure and accounting records.</p> <p>24 MR. HAYWOODE: Mr. Traub, I know</p> <p>25 most of the exhibits were given to you.</p>	<p style="text-align: right;">108</p> <p>1 Orley George Cameron</p> <p>2 Bill know there is something else.</p> <p>3 MR. TRAUB: I think the witness has</p> <p>4 already answered the questions and the</p> <p>5 transcript and the witness's sworn</p> <p>6 testimony will speak for itself, and I am</p> <p>7 comfortable with that.</p> <p>8 MR. HAYWOODE: We, the attorneys,</p> <p>9 know there were more documents than you</p> <p>10 have referred to.</p> <p>11 MR. TRAUB: I will give you a chance.</p> <p>12 What other documents do you believe</p> <p>13 constitute an investigative report or are</p> <p>14 you constituting show one of the</p> <p>15 auditor's commentary or discovery was</p> <p>16 related to their audit that is not</p> <p>17 contained in Defendants' Exhibits 14 and</p> <p>18 15, which Mr. Cameron himself has</p> <p>19 testified constitute the world of those</p> <p>20 such documents?</p> <p>21 MR. HAYWOODE: I am not going to</p> <p>22 take your question because I don't</p> <p>23 know what you mean by the terminology</p> <p>24 "auditing" report.</p> <p>25 I am simply stating for the record</p>
<p style="text-align: right;">107</p> <p>1 Orley George Cameron</p> <p>2 You are asking him if he said</p> <p>3 anything else.</p> <p>4 All those documents came from this</p> <p>5 witness.</p> <p>6 MR. TRAUB: I think when you review</p> <p>7 the transcript you will see my question</p> <p>8 was, did he give any other investigation</p> <p>9 reports or statements of what he's</p> <p>10 discovered.</p> <p>11 What you are referring to is you</p> <p>12 have, and I will state on the record, you</p> <p>13 have provided us with letters from</p> <p>14 Cameron, Griffiths & Pryce to Dalton</p> <p>15 Management and some of the other</p> <p>16 defendants, including Marks Paneth &</p> <p>17 Shron, requesting additional documents.</p> <p>18 MR. HAYWOODE: And you have certain</p> <p>19 commentary which I specifically recall</p> <p>20 which you have not questioned this</p> <p>21 witness about today, and all of that</p> <p>22 originated with this witness.</p> <p>23 I just want that clear on the</p> <p>24 record, because you are asking him is</p> <p>25 there anything else, and you and I and</p>	<p style="text-align: right;">109</p> <p>1 Orley George Cameron</p> <p>2 that you have in your possession, and</p> <p>3 Bill Kelly has, too, more documents from</p> <p>4 Cameron, Griffiths & Pryce than you have</p> <p>5 raised and referred to in this</p> <p>6 deposition.</p> <p>7 That's all I'm pointing out. You</p> <p>8 have more.</p> <p>9 MR. TRAUB: I am sure in your</p> <p>10 response to our discovery and motion, you</p> <p>11 will answer that to the court.</p> <p>12 MR. HAYWOODE: Everyone will answer</p> <p>13 something.</p> <p>14 Q. You stated in response to</p> <p>15 Mr. Kelly's question about what did you find</p> <p>16 was inaccurate or misleading about the monthly</p> <p>17 statements Mr. Edmonds was receiving from</p> <p>18 Dalton, and your comment was the distribution</p> <p>19 accounts were incorrect.</p> <p>20 Is that a fair characterization of</p> <p>21 your testimony?</p> <p>22 A. Yes.</p> <p>23 Q. When you discussed the distribution</p> <p>24 number which is identified in the monthly</p> <p>25 statements with Mr. Dawley, didn't he tell you</p>

28 (Pages 106 to 109)

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<p style="text-align: right;">110</p> <p>1 Orley George Cameron</p> <p>2 that number was actually the running total of</p> <p>3 what had been distributed to the partners from</p> <p>4 Dalton not just in the year identified on that</p> <p>5 financial statement?</p> <p>6 MR. HAYWOODE: Objection to the</p> <p>7 leading nature of the question.</p> <p>8 A. No. The question is clear. He</p> <p>9 didn't tell me that.</p> <p>10 What he told me was the adjusting</p> <p>11 entries were booked in the distribution</p> <p>12 account.</p> <p>13 Q. Isn't it true, though, that what you</p> <p>14 found when you were auditing the financial</p> <p>15 statements of the company that the financial</p> <p>16 statements only showed what had actually been</p> <p>17 distributed for that year?</p> <p>18 A. Yes.</p> <p>19 It showed what was distributed for</p> <p>20 that year, but where is the cumulative</p> <p>21 distribution?</p> <p>22 Q. Did you find any distributions that</p> <p>23 were unequal, in other words, more money that</p> <p>24 was going to the Seaveys than was going to</p> <p>25 Mr. Edmonds?</p>	<p style="text-align: right;">112</p> <p>1 Orley George Cameron</p> <p>2 million in expense for that housing company</p> <p>3 for one year, would that be correct,</p> <p>4 approximately?</p> <p>5 A. I generally depend on computers for</p> <p>6 the calculation.</p> <p>7 Q. Assuming, arguendo, multiplying 446</p> <p>8 on a yearly monthly basis, an average of \$638</p> <p>9 would be that, do you know the gross income of</p> <p>10 Fifth and 106th Street to be 7 million or so</p> <p>11 dollars a year?</p> <p>12 A. In '06 the gross income is 6 plus, I</p> <p>13 don't remember the exact amount, but it's</p> <p>14 above \$6 million.</p> <p>15 Q. So it is fair to say that, assuming</p> <p>16 the accuracy of those numbers, about</p> <p>17 \$3 million yearly being generated at Fifth and</p> <p>18 106th which is not attributable to expense?</p> <p>19 MR. TRAUB: Objection.</p> <p>20 Lacks foundation.</p> <p>21 Q. Assuming that the expense was</p> <p>22 \$3 million and the income was 6. whatever, it</p> <p>23 would be \$3 million theoretically left after</p> <p>24 all expenditures, according to what we all</p> <p>25 discussed; is that correct?</p>
<p style="text-align: right;">111</p> <p>1 Orley George Cameron</p> <p>2 A. No, we didn't find that, no.</p> <p>3 MR. TRAUB: I am done with my</p> <p>4 questions.</p> <p>5 I think Mr. Kelly has a few</p> <p>6 additional questions.</p> <p>7 MR. KELLY: Actually, Mr. Haywoode</p> <p>8 has the opportunity to question you</p> <p>9 before I ask my questions.</p> <p>10 EXAMINATION</p> <p>11 BY MR. HAYWOODE:</p> <p>12 Q. Mr. Cameron, with regard to Fifth</p> <p>13 and 106th Street Housing Corporation, have you</p> <p>14 heard that Mr. Edmonds has been previously</p> <p>15 advised or did he discuss with you that</p> <p>16 previous managers had indicated that \$638 per</p> <p>17 unit would cover the expense, the yearly</p> <p>18 expense of Fifth and 106th Street</p> <p>19 Corporation?</p> <p>20 Had you heard that; \$638 per month?</p> <p>21 A. Yes. Mr. Edmonds had that</p> <p>22 discussion with me.</p> <p>23 Q. I am just throwing out positive</p> <p>24 figures. When you multiply that out for the</p> <p>25 446 units there, that would be about \$3.12</p>	<p style="text-align: right;">113</p> <p>1 Orley George Cameron</p> <p>2 MR. TRAUB: Objection. Assumes</p> <p>3 facts not in evidence.</p> <p>4 MR. KELLY: Objection.</p> <p>5 MR. HAYWOODE: The witness just</p> <p>6 testified to that.</p> <p>7 A. Theoretically, it's a theoretical</p> <p>8 question, and I answered theoretically yes.</p> <p>9 Q. Did 106th Street report a profit for</p> <p>10 2006 or did they report a deficit?</p> <p>11 A. They reported a deficit.</p> <p>12 Q. And how much was that deficit, if</p> <p>13 you recall?</p> <p>14 A. I don't recall.</p> <p>15 It's in excess of a million dollars.</p> <p>16 I don't recall exactly what the amount is.</p> <p>17 Q. If I suggested it was \$2,000, would</p> <p>18 that refresh your recollection, a deficit for</p> <p>19 106th Street after receiving \$6.8 million was</p> <p>20 \$2,000, does that refresh your recollection at</p> <p>21 all?</p> <p>22 MR. KELLY: Objection.</p> <p>23 A. I would have to go back and look at</p> <p>24 it.</p> <p>25 Q. Now, was any distribution made from</p>

29 (Pages 110 to 113)

<p style="text-align: right;">114</p> <p>1 Orley George Cameron</p> <p>2 106th Street to either Mr. Edmonds as the</p> <p>3 general managing partner or to any of the</p> <p>4 limiteds, was any distribution made to them?</p> <p>5 A. In '06, I don't recall any</p> <p>6 distribution.</p> <p>7 Q. You are aware, are you not, that in</p> <p>8 addition to the lawsuit being brought by John</p> <p>9 Edmonds that several of the limited partners</p> <p>10 have also brought a claim against these</p> <p>11 defendants for these same reasons, are you</p> <p>12 aware of that?</p> <p>13 MR. TRAUB: Objection.</p> <p>14 A, that's not accurate.</p> <p>15 If you are going to ask a question,</p> <p>16 you should also reflect on the record</p> <p>17 that Mr. Edmonds was also named as a</p> <p>18 defendant in that lawsuit.</p> <p>19 MR. HAYWOODE: Which part of it is</p> <p>20 not accurate?</p> <p>21 MR. TRAUB: Not all of these</p> <p>22 defendants were named in the lawsuit</p> <p>23 brought by the Singers, and in fact your</p> <p>24 lawsuit was a named defendant in there as</p> <p>25 well.</p>	<p style="text-align: right;">116</p> <p>1 Orley George Cameron</p> <p>2 first lawsuit as well.</p> <p>3 MR. HAYWOODE: Okay.</p> <p>4 EXAMINATION</p> <p>5 BY MR. KELLY:</p> <p>6 Q. Mr. Cameron, you were just asked</p> <p>7 several questions about other lawsuits</p> <p>8 involving the limited partners.</p> <p>9 How did you learn about those</p> <p>10 lawsuits?</p> <p>11 A. I mean, just in conversation between</p> <p>12 the attorneys.</p> <p>13 Q. Do you mean conversation between you</p> <p>14 and Mr. Haywoode prior to today or just now as</p> <p>15 we are sitting here?</p> <p>16 A. Well, I mean conversation between</p> <p>17 the attorneys.</p> <p>18 MR. HAYWOODE: Indicating</p> <p>19 Mr. Edmonds and myself.</p> <p>20 THE WITNESS: Right.</p> <p>21 A. I mean, those are not conversation</p> <p>22 that I am a part of, but in the same way I am</p> <p>23 hearing it between you both or between you.</p> <p>24 That's all I heard.</p> <p>25 MR. HAYWOODE: So indicating</p>
<p style="text-align: right;">115</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: I will accept your</p> <p>3 correction that there were two lawsuits.</p> <p>4 The first one did not claim John</p> <p>5 Edmonds, is that correct, and the second</p> <p>6 one did, but it sought the sale of the</p> <p>7 property; is that correct?</p> <p>8 MR. TRAUB: Are you talking about</p> <p>9 the current one that is actually pending</p> <p>10 now?</p> <p>11 MR. HAYWOODE: I am talking about</p> <p>12 the two suits that were brought by the</p> <p>13 limiteds.</p> <p>14 MR. TRAUB: I believe the first one</p> <p>15 did not name Mr. Edmonds as a defendant.</p> <p>16 It also did not name all of these</p> <p>17 defendants as named defendants.</p> <p>18 MR. HAYWOODE: Okay.</p> <p>19 I have no further questions.</p> <p>20 MR. KELLY: I have some questions</p> <p>21 about what Mr. Haywoode was just asking</p> <p>22 about.</p> <p>23 MR. TRAUB: Just so the record is</p> <p>24 clear, I believe Mr. Edmonds testified</p> <p>25 that he joined as a plaintiff in the</p>	<p style="text-align: right;">117</p> <p>1 Orley George Cameron</p> <p>2 Mr. Edmonds, Mr. Haywoode, Mr. Traub and</p> <p>3 Mr. Kelly.</p> <p>4 Q. In connection with one of the</p> <p>5 questions Mr. Traub asked you about the</p> <p>6 \$4 million discrepancy, you responded, we</p> <p>7 update our records.</p> <p>8 A. Yes.</p> <p>9 Q. What did you mean by update our</p> <p>10 records?</p> <p>11 A. In other words, some of the</p> <p>12 information we got during the discovery, we</p> <p>13 were able to vouch for some of the items that</p> <p>14 we were looking for.</p> <p>15 We still need explanation.</p> <p>16 Q. What records do you maintain in</p> <p>17 connection with this?</p> <p>18 A. The records that we received we</p> <p>19 have.</p> <p>20 Q. Do you have workpapers that you</p> <p>21 created in connection with this engagement?</p> <p>22 A. Yes, we do.</p> <p>23 Q. Are those workpapers maintained at</p> <p>24 Cameron, Griffiths & Pryce?</p> <p>25 A. Yes.</p>

30 (Pages 114 to 117)